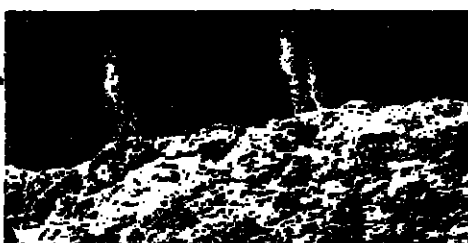


FINANCIAL TIMES

Weekend FT
Catering for the
hungry flier



On foot in the
African bush



The world champion
chicken chopper



SECTION II

World Business Newspaper

WEEKEND OCTOBER 21/OCTOBER 22 1995

D8523A

ALSO INSIDE TODAY'S
Weekend FT



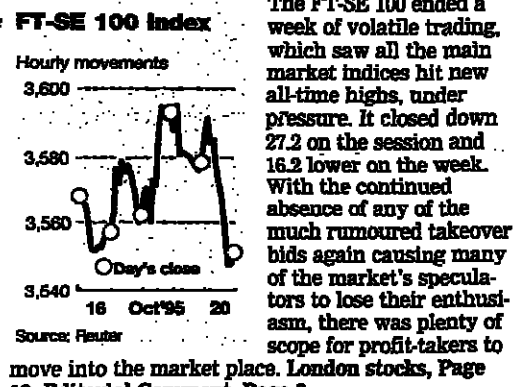
- Jeans go marching on
- Bridge building in the Bosphorus
- Tokyo's crowded 'downtowns'

EU agrees funds for manned space research project

European space ministers yesterday approved a £2.6bn (\$3.25bn) funding package to ensure the EU will have a significant role in manned space research into the next century. The money will be spent on projects related to the Alpha permanently manned international space station, due to begin operations in 2002. The station, which will be the largest man-made construction in space, will orbit the earth with six astronauts on board. Page 2

Intel, the world's largest semiconductor manufacturer, plans to spend more than \$3.1bn over the next two years to expand production in Ireland, Israel and Malaysia. Page 22; Japan to scrap chip market access accord, Page 3

London stocks end 16.2 down on week



move into the market place. London stocks, Page 19; Editorial Comment, Page 8

Générale des Eaux, the French water, construction and communications group, revealed a sharp fall in profits for the first half of 1995 and warned property losses for the full year could reach between FF6bn and FF7bn (\$1.41bn). Page 6

US bank reform bill dropped: Hopes for a speedy overhaul of the antiquated laws governing the US banking industry have been dashed after a reform bill was dropped from the House of Representatives calendar at the last moment. Page 3

Yeltsin softens stance on Kozlov: President Boris Yeltsin appeared to back away from his threat to dismiss Andrei Kozlov, suggesting Russia's foreign minister needed a good deputy to share his official burdens. Page 3

S Korea to investigate funding scandals: The South Korean government is to investigate allegations that former president Roh Tae-woo controls a secret \$500m political slush fund. Page 3

Groupe Bull, the French computer manufacturer, reduced its net losses from FF2.22bn to FF674m (\$172m) in the first nine months of the year, and said it was maintaining its target of break-even for 1995. Page 6

Student wins record slot-machine jackpot: A history student, who has not been named, won a record slot-machine jackpot of \$10.9m at a Las Vegas hotel.

Companies in this issue			
Aeroflot	5	Pyrites	6
Allied Irish Banks	6	Générale des Eaux	6
Amnax	6	Grosvenor Inns	6
Archer Daniels Midland	6	Groupe Bull	6
Armour Trust	5	IBM UK	6
Ciro	6	IMI	1
Cordiant	5	Intel	22
DCC	5	Laporte	5
Delva Bank	3	Matsushita	22
Development Secs	5	McDonnell Douglas	3
Dobson Park Inds	5	Metals-Sarta	6
ES	5	National Grid	6
Eastern Group	5	National Westminster	6
Eurocopy	5	Nouvelles Frontières	6
Fisons	5	Timet	1

For customer service and other general enquiries call:

Frankfurt
(69) 15685150

'Faction' vote by Belgian MPs attacked ■ Call for quick succession

'Angry' Claes quits Nato post with bribery denial

By Caroline Southey in Brussels

Mr Willy Claes resigned yesterday as Nato secretary-general, defiantly proclaiming his innocence against charges of corruption and launching a bitter attack on Belgium's legal system.

Mr Claes's decision to quit followed the Belgian parliament's vote on Thursday night to lift his immunity from prosecution. He could face charges of corruption, fraud and forgery over a bribery scandal involving the Italian helicopter maker Agusta.

The resignation comes at a critical time for Nato, which has been unable to reach agreement with Russia over the command structure for a multinational peacekeeping force in former Yugoslavia.

Alliance leaders were quick to express their regret at the resignation and to praise Mr Claes's work. President Bill Clinton said Mr Claes had provided "great leadership" and would be missed at the helm of the alliance. Mr Helmut Kohl, the German chancellor, praised Mr Claes as "committed and successful" work. Mr

Kohl urged Nato to replace Mr Claes as quickly as possible although he ruled out nominating a German for the job.

Mr Uffe Ellemann-Jensen, the former Danish foreign minister, immediately announced his willingness to stand, while Mr Hans van den Broek, the EU commissioner for eastern and central Europe, indicated he would remain at the commission. Mr Rudi Lubbers, the former Dutch prime minister, is also a possible candidate.

Nato said no deadline had been set for the appointment of a successor and that Mr Sergio Balazino, deputy secretary-general, would take charge in the interim.

Mr Claes told a packed press room at Nato headquarters in Brussels that his resignation was a tragedy "for myself and for my family".

At times raising his voice and banging the table with his fist, Mr Claes said that although he was "an angry man I am not, and do not intend to become, a bitter one despite the injustices with which I have been treated". He intended "to get on with my life

and I intend to clear my name". He vehemently denied any knowledge of bribes being paid to the Flemish Socialist party in exchange for the Belgian army's purchase in 1988 of 46 Agusta helicopters. Mr Claes, a member of the party, was Belgium's economy minister at the time.

He bitterly attacked the parliamentary vote against him and accused MPs of voting along party lines. "Each was meant to play the role of judge. But I was faced with factions," he said.

Mr Claes, repeatedly stressing his commitment to the alliance, spoke passionately about Nato's achievements during his 13-month tenure.

He noted that Nato forces had broken the siege of Sarajevo and contributed in large part to the move towards peace in former Yugoslavia. Work on Nato's enlargement to include countries from central and eastern Europe was well advanced and was "essential to the future of Europe", he said.

Perfection preferred for Nato chief, Page 2



Nato secretary-general Willy Claes announcing his resignation yesterday, the day after MPs voted to send him for trial

Berlusconi in vote move to topple Italian PM

by Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister, last night formally introduced a motion of no confidence aimed at toppling the government, despite strong pressure from moderates within his right-wing alliance to hold back.

The motion will be debated in the chamber of deputies early next week. Normally three days must elapse between introducing the motion and the no-confidence debate.

The lira weakened against the D-Mark to L1,038 on concern in the financial markets over the potential impact of the crisis on the passage of the 1996 budget through parliament.

Earlier in the day the Berlusconi camp had appeared deeply divided over moves against the eight month-old government headed by Mr Lamberto Dini.

This followed Mr Berlusconi's pledge on Thursday to confront the government in response to the Senate passing a vote of no confidence in Mr Filippo Mancuso, the justice minister. Mr Berlusconi's alliance has strongly defended the minister for his rigorous approach to curbing the power of the magistrature.

The unprecedented vote against Mr Mancuso, combined with his refusal to leave the justice portfolio and his release in a speech this week of damaging allegations about Mr Dini and President Oscar Luigi Scalfaro, have created an explosive cocktail.

The prospect of a bitter no-confidence motion bringing down the government led to urgent efforts by the former Christian Democrats in the right-wing alliance to mediate.

But last night the mediation efforts failed as Mr Berlusconi pressed on with his determination to have parliament dissolved and early elections called.

The government is supported

Major may rule out joining Emu before 2002

By Robert Shrimley in London

Mr John Major, the British prime minister, is close to agreeing to a commitment in the ruling Conservative party's general election manifesto that would rule out British membership of a single European currency in the lifetime of the next parliament.

The prime minister is being pushed towards this stand - the one advocated by Mr John Redwood in his failed challenge for

the party leadership - by a number of cabinet colleagues. Mr Norman Blackwell, head of the prime minister's policy unit, is also said to support the idea.

A key figure will be Mr Stephen Dorrell, health secretary and the rising hope of the Tory left. Mr Dorrell believes it increasingly unlikely that monetary union will become a practical reality in the life of the next parliament - which could run until 2002 - and can therefore see no harm in ruling it out.

Mr Major is hoping that Mr Dorrell's pro-European credentials will reassure the Tory left that such a policy can be supported on pragmatic grounds.

The health secretary could also play a pivotal role in convincing Mr Kenneth Clarke, the chancellor, who supports monetary union. Mr Major has resisted ruling out a single currency for fear that Mr Clarke would resign.

However, strategists believe Mr Clarke can be persuaded to agree on the grounds that the UK is

now unlikely to have to face such a decision by 2002 and that it is the date and not the principle which has been rejected.

One close colleague said Mr Major was still "tentering" on the issue but that he had "come very close" to floating the policy shift in his speech to party agents at the Tory conference in Blackpool last week.

Party spokesmen said the speech had been toned down after the death of Lord Home, the former Conservative prime minis-

ter. But one minister said that was simply a cover for the fact that Mr Major had got "cold feet" about announcing the move so far ahead of the next election.

The prime minister's previous public position had been only to rule out joining a single currency in 1997, although at last month's EU summit in Majorca he doubted whether it would be possible for many countries by 1999.

During the summer leadership

Continued on Page 22

Continued on Page 22

Titanium producers merge to take 24% of western market

By Paul Cheeswright in Birmingham

The western world's two largest producers of titanium - a tough, expensive metal used in everything from aero-engines to medical equipment and golf clubs - are to merge.

IMI, the Birmingham-based engineering group, said yesterday that it would transfer its titanium operations to Titanium Metals Corporation (Timet), the US producer which is 75 per cent owned by Denver, Colorado-based Tremont Corporation.

The deal will create a company with about 24 per cent of the market in North America and Europe, and combined annual sales of \$308.4m.

"This is a merger of two

almost-equals," said Dr Frank Lucas, manager of Roskill Consulting, the metals specialist. "It creates the most powerful force in titanium in the world."

The main application of titanium is in aerospace, and particularly engines. Reductions in defence spending and sluggish performance in the main economies of the west have pushed producers into loss and forced them to cut costs. IMI has not made profits from titanium since 1990.

New alliances in the titanium industry have been expected as a result of the difficulties of making profits at a time of over-supply.

"All the producers have gone through retrenchment," said Mr Barry Pointon, IMI director in

charge of the group's titanium interests. "We have been looking for a stronger position in the US and a restructuring of the titanium industry."

The main international rivals to the merged Timet-IMI operations will be three US producers, Oremet, RMI and Teledyne.

But their scope to consolidate may be limited. "It depends how far they can go without getting into anti-trust problems," said Mr Tim Bennett, analyst at Albert E. Sharp, stockbrokers.

The alliance between IMI and Timet comes just as the demand for titanium is beginning to recover. Both producers expect to be at breakeven point or in profit

Continued on Page 22

STOCK MARKET INDICES			
FT-SE 100: 3,541.4 (-27.2)	US LUNCHTIME RATES	STERLING	DOLLAR
Field 5.87	Federal Funds: 5 1/8%	New York lunchtime: 1.5745	New York lunchtime: 1.397
FT-SE Eurotrack 100: 1,260.47 (-19.07)	3-m Treas Bill: 5.406%	London: 1.5745	London: 1.397
FT-SE-A All-Share: 1,747.78 (-0.5%)	Long Bond: 10 3/8%	London: 1.5745	London: 1.397
Nickel: 18,157.33 (+201.97)	Yield: 6.364%	DM: 2.2081 (2.2223)	DM: 1.3979 (1.4141)
New York: 18,157.33 (+201.97)		FF: 7.7508 (7.708)	FF: 4.918 (4.9622)
Dow Jones Ind Ave: 4,801.36 (-1.08)		Sfr: 1.7985 (1.8112)	Sfr: 1.1412 (1.1525)
S & P Composite: 588.85 (-1.57)		Y: 157.657 (156.172)	Y: 100.055 (100.59)
		S index: 62.6 (63.9)	S index: 62.4 (62.6)
		London: 332.0 (332.25)	Tokyo close: 100.80
CONTENTS			
News	Letters	Foreign Exchange	Recent Issues
International News: 23	Companies	Gold Markets	Share Information
UK News: 4	UK	Equity Options	World Commodities
Weather: 22	Int. Companies	London SE	Wall Street
Law: 22	Meetings	LSE Dealings	Bourses
Features	FT-SE Auctions	Managed Funds	Weather
Leader Page: 3	FT-SE A Wid Index	Money Markets	5:30 F

NEWS: EUROPE

Ecu2.6bn budget ensures role for Europe into next century

EU approves manned space research cash

By Andrew Jack in Paris and Michael Skapinker in London

European space ministers yesterday approved a funding package to ensure the EU will have a significant role in manned space research into the next century.

Ministers decided on an Ecu2.6bn (\$3.3bn) budget running up to the year 2006 in projects related to the Alpha permanently manned international space station, due to begin operations in 2002.

The station, which will be the largest man-made construction in space, will orbit the earth with six astronauts on board. Europe will contribute the Columbus laboratory, a research module where astronauts will carry out experiments. It will also build the Automated Transfer Vehicle, which will carry cargo to the space station.

The EU Columbus module - one of 10 which will make up the space station - is designed to carry out a range of scientific experiments in fields including observation of Earth, metallurgy and physiology.

The space station is designed to operate over 20 years, and will be built in co-operation with the US, Canada, Japan and Russia. The EU contribution reflects about 10 per cent of the development budget.

Yesterday's decision - at the conclusion of a European Space Agency meeting in Toulouse - endorsed revised proposals submitted by the agency after a more ambitious Ecu3.5bn plan at the start of this year was rejected because of budgetary constraints and objections from a number of countries.

"We are in orbit and have solved our financial problems," an ESA official said yesterday. "It would have been shameful if we had not been able to participate in the spirit of international co-operation by contrib-

uting to the space station. This is a very satisfactory programme which leaves nothing out."

European space officials had warned earlier this year that Europe ran the danger of being excluded from the project unless ministers made a funding commitment at this week's meeting. Officials said the US, Canada, Russia and Japan, which were already involved in the project, had begun assembling equipment.

Under the new proposals the agency will proceed with its plans to build the Columbus facility, as well as the transfer vehicle and the Ariane5 space launcher. However, to bring about the necessary budget reductions the ministers approved the ESA's revised plans to scale back considerably its commitment to the idea of a crew transport vehicle that would have brought European scientists up to the space laboratory.

Instead, Europeans will travel from Earth on board either the US space shuttle or the Soyuz space vehicle being managed by the former Soviet Union.

However, some feasibility studies are still continuing and ministers will make a final decision in 1997 on whether to proceed with the crew transport vehicle.

As part of the ministerial compromise, a number of changes were agreed to the share of the budget between member states.

It is believed Germany will pay 41 per cent of the development costs of the EU's contribution to the space station, France 27 per cent and the Italians 19 per cent. Mr François Fillon, French minister for information technology, welcomed the agreement yesterday. "This is a landmark for the European space industry," he said. "It is again unified and its future redefined."

Paris calls for ideas on education reform

By Andrew Jack in Paris

The French government has launched a wide-ranging consultation on the future of the country's higher education system, in the first step towards the reforms pledged by President Jacques Chirac during his election campaign last spring.

Mr François Bayrou, education minister, called for students and teachers to suggest reforms on subjects ranging from the funding of the education system to the structure of the university curriculum.

The ideas brought forward may eventually be used in a national refer-

endum on education issues promised by Mr Chirac during his election.

Critics have questioned whether education policy can sensibly be discussed and approved in a referendum, but the government appears set on pursuing it.

A commission headed by Mr Roger Fauroux, a businessman and former civil servant, on the logistics of the referendum is set to report by next summer. It is considering three topics for reform: the structure of school teaching, integration of students into the workforce, and higher education.

Speaking at the inauguration of a science and technology unit at the

university of Cergy-Pontoise north of Paris this week, Mr Bayrou called a "wide-ranging general reflection" on subjects ranging from the structure of

Students and teachers have a tradition of taking to the streets

loans, grants and housing aid for students, to possible changes to the first stages of university education, during which the drop-out and failure rate is very high.

His call for dialogue with students

and teachers reflects the French government's emphasis on consultation in a number of areas including that of inner city policy.

Reform of the education system is an extremely sensitive subject in France, where students and teachers have had a tradition of taking to the streets in opposition to change since the troubles of 1968.

Early last year the government of Mr Edouard Balladur withdrew education reforms in the face of mass protests, mainly in Paris. A few months later, the education minister dissociated himself from a consultative document he had commissioned on univer-

sity reform after students and teachers once again took to the streets.

But criticism of the education system has intensified, particularly now that the unemployment rate is far higher than in other European countries, even during a period of economic growth.

In an article on Thursday in Le Monde, the daily newspaper, several academics argued that "educational failure is eating into our society like cancer". They called for widespread reforms to make the system less elitist and said the structure of timetables was "absurd" because it failed to meet the needs of most students.

Scharping head on the block in Berlin poll

By Judy Dempsey in Berlin

Berliners go to the polls tomorrow in an election vital to the future of Mr Rudolf Scharping, leader of the opposition Social Democratic party (SPD).

Backing for the SPD in Berlin has fallen from 30 per cent to 25-27 per cent over the past month, as traditional supporters blame Mr Scharping for poor leadership and failure to end party infighting. Tomorrow's poll is the last big electoral test for the SPD leader before his party's conference in Mannheim next month.

A collapse of the SPD vote in Berlin - where it is currently junior partner in a grand coalition with the Christian Democrats (CDU) - could galvanise Mr Scharping's opponents, who are calling for his resignation.

But yesterday he remained defiant, telling German radio he would still be leading the party after the election.

Liberal Free Democratic party (FDP) supporters also face a tough test. A poor result would damage Chancellor Helmut Kohl's junior national coalition partner, which has lost 11 state elections over the past two years.

Opinion polls suggest the FDP's support will fall well short of the 5 per cent required to enter the city's Senate. It polled 7.1 per cent in 1990, but has since been weakened by

an internal split.

The crisis in both parties has played into the hands of the CDU. It is mopping up the liberal vote, while the divisions within the SPD and an anti-Communist campaign are driving traditional SPD voters to both the CDU and the Greens.

Ms Ingrid Stahmer, senator for social affairs and the SPD's principal candidate, has admitted that infighting in the national leadership has damaged her chances of holding on to the 30 per cent of votes secured by the party in 1990.

"We are not getting our policies across. The morale in the party is low because of all the bickering in the top leadership," she said.

Latest opinion polls give the CDU a few percentage points above the 40 per cent it polled in 1990, indicating that another grand coalition is on the cards.

As the SPD wants to hold on to votes in West Berlin, where anti-Communist sentiment is still strong, it is prevented from openly supporting a red/green coalition. Nor can it openly support continuation of the grand coalition with the CDU for fear of losing the left vote, especially in the east and Kreuzberg, once the radical heart of West Berlin.

"No matter what we do, we are caught," said Ms Stahmer.

Mr Andre Brie, campaign manager for the Party of Democratic Socialism (PDS), suc-



Rudolf Scharping: big electoral test before party's conference

cessor to the former East German Communist party, is confident the party will become the third largest in the Senate.

He sees the party increasing its share of the vote from an overall 9.2 per cent in 1990 to 14 per cent, with 30 per cent of support coming from east Berlin.

● About 35 per cent of German students would vote for the environmentalist Green party,

according to a wide-ranging poll in Die Zeit, the liberal German weekly newspaper, Michael Lindemann adds.

Student support for the SPD has fallen to 18 per cent from 37 per cent in 1979, the last time the poll was taken. About 19 per cent would back the CDU, up from 13 per cent in the last poll, according to the 1,019 students questioned.

European cities of culture set to multiply

By Emma Tucker in Madrid

So many cities want to be Europe's Millennium City of Culture that EU culture ministers have decided not to pick a winner. Instead of one such city for the year 2000, there will be several.

"We have agreed the principle of many cultural capitals, rather than just one," said Ms Carmen Alborch, the Spanish culture minister, yesterday after securing agreement from her colleagues at a meeting in Madrid.

This means that eight contenders which have already expressed an interest have high hopes of being picked. They may yet be joined by others, as the deadline for suggestions closes on November 20. It is not even necessary to be in an EU country to qualify - Prague is one of the eight.

Others are Santiago de Compostela, Bergen, Reykjavik, Brussels, Helsinki, Bologna and Avignon.

The title was created in 1983 when the EU agreed that one city would act as a focus for the promotion of European cultural activities each year. One Commission official said yesterday that to have a number of cities of culture would undermine the whole concept.

The Spanish solution would avoid disappointment for Bologna, Avignon and Prague, which all declared themselves

winners of the 2000 title after disappointment at a bitter meeting in 1993 when they lost out on the years 1996 and 1999.

"It gets us out of a tricky position with Avignon, Bologna and Prague and allows Spain to stick its own candidate on the list," said one relieved official.

There is still debate on how to make the final selection. Some favour a list that gives full weight to the points of the compass. "Some in the south, some in the north, some in the west and some in the east," said a Commission official.

Another suggested method is that "theme" cities represent the different eras of Europe's rich history.

Only one area was not touched on yesterday: the delicate issue of financing. Each European capital costs the Commission Ecu300,000 (\$381,000) for one year but officials were reluctant to elaborate on how as many as 10 capitals might be funded.

Luxembourg is this year's holder of the title. Next year the honour goes to Copenhagen, with Salónica, Stockholm and Weimar following in the countdown to 2000.

Once the issue for the year 2000 has been decided, the task of who gets 2001 will have to be addressed. "That will be a problem for the Italian presidency," signed a Spanish official.

Perfection preferred for Nato chief

Bruce Clark on the special characteristics demanded of a new secretary-general

The perfect secretary-general of Nato probably does not exist. If such a mixture of talents did come together in a single person, he or she would probably be deployed in some more lucrative or glamorous position.

In an ideal world, the holder of Nato's top political post should be a master bureaucrat, a generator of new ideas, a mediator of disputes, and a convincing advocate of the military alliance.

"It's a very important job," said Gen William Odom, a former US national security director. "It has to be a sort of pulpit for expressing Nato's purpose and collective consciousness."

The job traditionally goes to a European, but he must be a convinced Atlanticist. This criterion is amply fulfilled by the two main candidates to succeed Mr Willy Claes: Mr Uffe Ellemann-Jensen, the former Danish foreign minister, and Mr Rued Lubbers, the former Dutch prime minister.

Mr Hans van den Broek, a Dutch European commissioner seen by some as a possible successor to Mr Claes, said yesterday he was not a candidate.

If any surprise candidates come along, they too will need to be devout believers in the transatlantic tie.

Apart from having Washington's imprimatur, the sec-

retary-general should not be actively opposed by any European ally.

Here, the calculations are harder. Mr Ellemann-Jensen has raised French eyebrows because of Denmark's opposition to nuclear tests, while Mr Lubbers has poor personal chemistry with Germany's Chancellor Helmut Kohl.

In cold war times, the secretary-general often had to nurse any "weaker brethren" among the nations of western Europe into line with the policies of the US. More recently, the need has been for a transmission belt in the other direction: a leader who can convey the viewpoint of western Europe to the US, where isolationist sentiment is growing.

While the political left in Europe has sometimes accused Washington of foisting hawkish policies on its allies, there is a suspicion in Washington - especially on the political right - that west Europeans get a free ride on the coat-tails of the US defence budget. Both concerns need to be parried if Nato is to survive.

An effective secretary-general should be able to nip unnecessary squabbles in the bud, leaving plenty of energy

to spare for important issues, such as the future of Nato's military structure or accession of new members.

Apart from finessing differences within the alliance, the holder of the job should present a convincing face to non-Nato countries.

The job has to be a pulpit for expressing Nato's purpose

Sir Michael Alexander, a former UK ambassador to Nato, believes the worst effect of the Belgian scandal which brought Mr Claes down was to sap the alliance's credibility in the eyes of third countries.

"The secretary-general has three main roles: to administer the machinery, to initiate ideas, and to act as the face and voice of the alliance," Sir Michael said. "He fulfilled the first two but the third was made more difficult by the ongoing drama."

The weakness of Mr Claes has not been all bad for the US,

whose leading role within the alliance has been reasserted within the last few months following the effective US takeover of western policy in Bosnia.

"To the degree that the secretary-general is not very strong, American dominance is easier," said Mr Dan Nelson, a US expert on European security. This may explain why Mr Claes has recently received far more support from Washington than from any other Nato capital.

From Washington's viewpoint, a secretary-general who loyally reflects American concerns - and the concerns of the US officers who run Nato's military structure - may have been the right formula at a time when the US was jolting the alliance out of a period of ineffectiveness.

The efficiency of the Nato military machine, which mounted a bombing campaign against the Serbs in September, appears to have been undermined by the ferment in its political structure.

But the need for a strong secretary-general will come to the fore again in a few weeks, if and when the alliance starts to implement its plan to deploy

up to 60,000 troops as a peace implementation force (IFOR) in Bosnia.

The alliance is still searching for a formula to incorporate Russian troops in the force, as well as troops from the central European states which hope to join Nato.

Key questions over Russia's role may be decided bilaterally at Monday's US-Russian summit in New York. But two-sided deals will not be enough to resolve the squabbles that are bound to arise during the deployment of IFOR.

Settling these disputes will require a go-between who can plead Europe's case to the US or vice-versa. It remains to be seen whether any of the candidates can perform this feat.

As foreign minister from 1992 to 1993, Mr Ellemann-Jensen is a veteran of the horse-trading politics of the European Union, whose members have refined the art of haggling furiously in the knowledge that some compromise will eventually be found.

As Dutch prime minister, Mr Lubbers observed the European scene from a loftier plane. But Mr Carl Bildt, the ex-Swedish prime minister and EU mediator on Bosnia, has found that success in western Europe cannot always be matched in the more deadly and ruthless world of the Balkans.

EU push for TV quota consensus

By Emma Tucker

The first flicker of a breakthrough on whether to impose EU-wide quotas for locally-made television programming was apparent at a meeting of culture ministers in Madrid yesterday.

The pro-quota French and the anti-quota Germans and British made eloquent approaches to each other in unofficial discussions as ministers worked to break a deadlock on proposed revisions to EU-wide broadcasting rules.

"There is a genuine wish to reach a consensus," said Ms Carmen Alborch, Spain's culture minister. "This is exceedingly positive."

The issue of television quotas has divided EU member states for more than a year, since the Commission put forward proposals for revising the 1989 Television without Frontiers law introduced to ensure that television broadcasts could circulate freely inside the EU.

The draft Commission revision removed a loophole that allowed broadcasters to avoid a requirement that 51 per cent of their output be devoted to European-made works. Its removal infuriated the Germans and British who are against the idea of mandatory

quotas. They were joined by the Netherlands and the Nordic countries.

The proposal was enthusiastically supported by the French, who have the strictest quota system of any EU country in a bid to protect their culture from US influences.

Because so many countries had national quota systems, the Commission believed it was necessary to harmonise quotas at an EU level to be certain that one country could not block channels broadcast from another nation on the grounds that they contained too many US-made soap-operas, films and talk-shows.

The most likely compromise around which discussions circulated yesterday is simply to keep the 1989 law. Although it is legally shaky - thanks to the loophole on quotas - it appears to be the only system with which all member states can live.

The modest progress being made by ministers could be overturned by the European parliament which takes a more militant view on culture quotas. Parliament has the right to amend the Commission's proposal and is likely to side with France in proposing tighter quotas to preserve European culture from cheaply made Hollywood products.

£40m - it's our reward for looking beyond research

The University of Nottingham won new research grants and contracts of £40 million in 1994-95 - an impressive 22% on the already record-breaking total of £32.8 million recorded the previous year.

The success underlines Nottingham's status as one of the leading research universities in the United Kingdom and flows from our policy of recruiting and supporting high quality staff.

Our latest results are also rewarded for looking 'beyond research'. In developing a continuing strategy for success we need to recognise that the research environment is continually changing and consider technology transfer in its broadest sense, with the implications it has for wealth creation and the quality of life. We recognise the need to preserve sound fundamental research, but the needs of the end user.



The University of Nottingham

any development pioneered on campus must always be in the forefront of our minds.

We at Nottingham will be delighted to discuss your research needs and show you our facilities.

The University has a database of research groups and research expertise embracing all academic departments, which can be accessed through the Office of Research and Business Services. If you believe we can help you,

please contact our Director of Research and Business Services, Dr Douglas Robertson, at the address below.

Office of Research and Business Services,
The University of Nottingham,
University Park, Nottingham NG7 2RD.
Telephone: 0115 951 5670/1 Fax: 0115 951 5633.
e-mail: Douglas.Robertson@nottingham.ac.uk

THE UNIVERSITY OF NOTTINGHAM, UNIVERSITY PARK, NOTTINGHAM NG7 2RD PUBLIC AFFAIRS AND INFORMATION OFFICE. TEL: 0115 951 5765 FAX: 0115 951 5733

Indonesia signs deals to double telephone capacity

By Manuela Saragosa in Jakarta

Telkom, the Indonesian domestic telecoms group due to be partially floated next month, has finalised and signed contracts with private sector groups to build and manage new telephone lines in various parts of Indonesia.

The contracts are important because they guarantee Telkom will receive significant revenues over the next few years.

Five private sector consortia, which include Australia's Telstra, France Telecom, US West, Telekom Malaysia and Japan's NTT, had signed memoranda of understanding with the Indonesian government in June to build 2m new telephone lines and manage them for the next 15 years, effectively doubling Telkom's capacity.

The signing allayed the companies' fears that time was running out just weeks ahead of Telkom's initial public offering in New York, London and Indonesia, which is expected to raise between \$2.5bn and \$3.1bn.

Some industry executives had complained privately that the deals were heavily weighted against the foreign companies and their local partners, making some concessions barely profitable. But both sides appear to have reached a compromise on such details as transfer of assets and tax.

Addressing the private regional operators at the signing ceremony yesterday Mr Joop Ave, the minister for post, tourism and telecommunications, said: "You have just signed what we know are the first of their kind in Indonesia, perhaps in the world."

The contracts guarantee Telkom minimum revenues of Rp1,458.6bn (\$670m) in 1996 and "will account for a significant proportion of Telkom's operating revenues" in the years after that, according to Telkom's "red herring" prospectus.

Under the contracts, private regional operators will be allowed to seek offshore financing for the projects and are obliged to take on employees from Telkom, which is trimming its number of employees.

On January 1 1996, Telkom is required to transfer operations in the assigned areas to the private regional operators.

Clash between bankers and insurers sinks overhaul of Glass Steagall Act

Setback for US bank law reform

By George Graham in Washington

Hopes for a speedy overhaul of the antiquated laws that govern the US banking industry have been dashed once again.

A bill to repeal the Glass-Steagall Act, a 1933 law barring banks from the securities business, was due to be debated by the House of Representatives next week, but has been dropped from the calendar after a last minute row over its contents.

The bill was supposed to eliminate the artificial barrier

between commercial and investment banking, but it ended up being opposed by the very banks it was supposed to benefit.

Bankers objected to provisions inserted at the insistence of the powerful insurance agents' lobby, that would have restricted banks' ability to sell insurance products, as well as to a levy intended to bolster the savings and loan deposit insurance fund.

"We simply must oppose the current proposal because of the insurance provision," said Mr James Culbertson, president of the American Bankers Association.

tion, in a letter formally announcing his association's position to Congressman Jim Leach, chairman of the House banking committee.

But it was a dispute over rules for municipal bond underwriting between the banking committee and the commerce committee, which claims jurisdiction over the securities industry, which dealt the latest blow to the banking reform bill.

Even if a banking reform bill does pass the House - which now seems unlikely before next year at the earliest - it faces significant obstacles in

the Senate, where Senator Alphonse D'Amato, chairman of that body's banking committee, is an ally of the securities industry.

"Whatever happens in the House, the Senate is still to come, and people need to realise that that is going to be tough," said Mr Randal Quarles, a lawyer with Davis, Polk & Wardwell who served at the Treasury in the Bush administration.

Many banks have now concluded that they can get the changes they need without a new law. The Supreme Court is due to decide a case brought by

Barnett Banks against the Florida insurance commissioner which could give banks more freedom in the insurance field.

The Federal Reserve may also expand a loophole allowing banks to do some securities business in separate subsidiaries.

These securities affiliates are currently allowed to earn no more than 10 per cent of their revenues from activities forbidden by Glass-Steagall, but an increase to 25 per cent or even 15 per cent would in practice allow most banks to do as much securities business as they like.

Japan to scrap chip market access accord

By William Dawkins in Tokyo

Japan plans to end its controversial semiconductor trade accord with the US, under which foreign chip makers have, for nine years, been reserved a 20 per cent share of the Japanese market.

Officials of the Ministry of International Trade and Industry said they had no intention of extending the accord when it comes up for renewal next July.

Any attempt to end the chip pact is likely to arouse opposition from US microchip producers, which value it greatly, said Mr Roger Mathus, director

of the US Semiconductor Industry Association in Japan.

It is not hard to see why US companies appreciate the pact. The foreign share of Japan's semiconductor market has risen from 8.4 per cent, when the deal was signed in 1986, to 22.4 per cent last year. By the three months to June, foreign sales had exceeded one fifth of the Japanese market for seven quarters running. Japanese companies bought \$42bn worth of semiconductors last year, just over a third of the \$140bn (\$90bn) world market.

Even after that increase in market share, foreign semiconductors still meet unwarranted

resistance in Japan, said Mr Mathus. "There is a tendency to favour a local product even if it is not the best product," he maintained. SIA directors would discuss a response when they meet next month. A US diplomat believed that US semiconductor producers might be flexible on the figure in a revised deal, but wanted to keep a written Japanese promise of market access.

European semiconductor companies, by contrast, may welcome an end to the accord. They have always criticised it as an unfair plan by the world's two largest chip making nations to carve up the

Japanese market, despite the fact that it is formally open to all foreign producers. Electronic equipment producers had also opposed the deal, saying it pushed up chip prices.

A Miti official said world semiconductor demand was growing so fast - by 35 per cent in the first half of this year, according to industry statistics - and international semiconductor companies had become so inter-dependent, as shown by this week's announcement of co-operation among four of the world's biggest producers, that the accord was no longer needed.

"The objective of the agree-

ment has been reached," he said.

The chip pact has always been unwelcome to the Japanese government. Japanese officials complain that the US side interpreted it as a firm guarantee, rather than just an intention, to grant foreigners a fifth of the Japanese market.

In addition, Miti disliked the semiconductor accord as a bad precedent, opening Japan to pressure to grant import targets in other sectors. It may have tempted the US to seek import targets for cars and car parts, which Mr Hashimoto refused, after bitter negotiations last summer.



Roh Tae-woo: '\$500m slush fund'

Accused businessmen and bankers go into hiding

Political funding scandal erupts in South Korea

By John Burton in Seoul

The South Korean government yesterday said it would investigate allegations that former President Roh Tae-woo controls a secret \$500m (\$322m) political slush fund.

The inquiry threatens to split the ruling Democratic Liberal party by alienating conservative MPs allied with Mr Roh, a former general who was the elected president between 1987 and 1992.

The government is already in danger of losing its slim 16-seat parliamentary majority as conservative MPs defect to the United Liberal Democrats, a new right-wing party.

In addition, an investigation could implicate some of Korea's leading conglomerates, which were forced to make political donations to the previous government in return for business favours.

The government was forced

to launch the inquiry after an opposition MP on Thursday provided evidence that Mr Roh had allegedly hidden the political funds in 40 bank accounts using borrowed names.

Some of the businessmen and bank officials named in connection with the scandal have gone into hiding in the last 24 hours.

Word of the political slush funds first surfaced this summer when a close aide to President Kim Young-sam told journalists about their existence.

Analysts believe the aide leaked the information to damage the reputation of Mr Kim's conservative opponents within the ruling party. Most of them supported previous military-backed governments.

But when the affair threatened to damage the president by causing a party split, a preliminary investigation into the allegations was quickly ended and the aide was sacked for

making "baseless" statements.

President Kim is now under public pressure to conduct a more thorough investigation if he wants to maintain his reputation as a vigorous campaigner against corruption.

Securities analysts predict the stock market could be adversely affected by the probe. "Because nearly every company has bent the rules, there is no telling what the investigators will unearth," said Mr Eugene Yun, chief economist at Schroders Securities in Seoul.

Investor attention will be paid to Sunkyong, one of the Korea's largest conglomerates, because Mr Roh's daughter is married to the son of the Sunkyong chairman, and the Dongshing group, whose chairman is also related to Mr Roh through marriage. Both groups appeared to have been favoured during the Roh administration.

INTERNATIONAL NEWS DIGEST

Yeltsin may not dismiss Kozyrev

President Boris Yeltsin yesterday appeared to back away from his threat to dismiss Mr Andrei Kozyrev, suggesting that Russia's foreign minister perhaps needed only a good deputy to share his official burdens.

"What is it that Kozyrev is lacking? He needs a good person - because he is travelling all the time - who can look after the administrative affairs of the ministry," Mr Yeltsin said before departing on a trip to France and the US.

Mr Yeltsin's apparent volte-face - on Thursday he said Mr Kozyrev had proved incapable of co-ordinating all of Russia's foreign policy interests and would be replaced - is a further sign of the erratic nature of his administration.

Observers in Moscow suggested his criticisms of the foreign minister were an attempt to appease nationalist critics ahead of December's elections.

John Thornhill, Moscow

\$1bn McDonnell Douglas sale

McDonnell Douglas of the US has ended the search for a launch customer for its MD-95 aircraft by announcing that ValuJet, a cut-price carrier, has agreed to buy 50.

The order comes as a relief to the US company, which has repeatedly stressed its determination to remain a maker of civil aircraft. It is also a boost for BMW Rolls-Royce, a joint venture between the German and UK companies, which will make the engines for all MD-95s.

The \$1bn order comes after McDonnell Douglas failed to persuade Scandinavian Airlines System to buy the 100-seat twin-jet aircraft. SAS, a long-time McDonnell Douglas customer, opted instead to buy 35 Boeing 737-400s, with options on 35 more. ValuJet has taken options on a further 50 MD-95s.

Michael Skapinker, Aerospace Correspondent

Japan and UK in insurance pact

The Japanese and British governments have agreed to co-operate in providing trade insurance for each other's exports, to promote joint contracts in third countries.

Britain is the second country after France to win Miti's co-operation, in a deal signed by Mr Brian Willott, chief executive of the Export Credit Guarantee Department, and Mr Hiromichi Aoki, his counterpart at Miti's export insurance division.

Under the accord, Miti can support a bid, involving a Japanese company, in which the British contract is up to 70 per cent, while the ECOD will insure joint contracts with up to 30 per cent Japanese content.

This comes in response to the growing number of joint UK-Japanese contracts in developing countries.

In another expansion of trade policy, Japan has lifted a three-year ban on export credit insurance to Russia and given its blessing to a \$700m sale of oil pipes and pumps, officials announced yesterday. The insurance, for Mitsui, is the largest ever granted by Miti's export unit for a project in Russia.

William Dawkins, Tokyo

Clinton to visit Tokyo

The US and Japan will seek to patch up tense relations next month when US President Bill Clinton makes his first official visit to Tokyo for two years.

Mr Clinton will be in Japan from November 17 to 21, starting in Osaka with the summit of the 18 leaders of the Asia Pacific Economic Co-operation forum, chaired this year by Mr Tomiichi Murayama, the Japanese prime minister.

The pair will hold bilateral talks in Tokyo the day after the summit, on November 20. They are expected to reaffirm the US-Japan security alliance, under criticism in Japan following the alleged rape of a schoolgirl by three US servicemen near a base in Okinawa.

William Dawkins

Green light on toll road

Melbourne's US\$1.7bn City Link toll-road project was finally set to go ahead last night, after 10 days of intense negotiations between the Victorian state government and the banks which are helping to fund the project.

City Link, which will link and expand a number of freeways in and around Melbourne, is thought to be Australia's largest infrastructure project since the Snowy Mountains hydro-electric scheme in the 1960s. The state government had already awarded the contract to the Transurban consortium, whose main partners were Australia's Transfield group and Oyahashi of Japan, but its future was in doubt two weeks ago, when the consortium's banking backers objected to the risks they were being asked to assume.

Nikki Tait, Sydney

Taiwan export orders rising

Taiwan's export orders grew by double digits for the 13th successive month in September. Orders grew 16.39 per cent year-on-year to a total of \$8.8bn for the month. However, they were down 2.7 per cent from August's total of \$10.1bn.

Growth was fastest in exports to Japan, with a 28.8 per cent increase from a year earlier helped by the strong yen, but the US was still Taiwan's largest single export market: orders grew 17.8 per cent to \$3.1bn. Asian countries accounted for 48.3 per cent of all orders.

The electronics and telecommunications sectors showed the most rapid increases. Orders for electronic products grew 23.1 per cent from the previous year to \$1.53bn, and those for telecommunications equipment were up 27.2 per cent at \$1.35bn. Textile orders were also strong, up 20.2 per cent, and basic metal and metal product orders grew 30 per cent. Machinery orders fell 2 per cent to \$686m.

Taiwan's industrial output in September grew 3.36 per cent from a year earlier, after rising 7.95 per cent year-on-year in August. The manufacturing index rose 3.47 per cent, but real estate and construction were down 10.66 per cent from the previous year.

Bethan Hutton, Taipei

Cover-up claims put Daiwa managers in dock

If allegations are true, top bankers may face prosecution while disgraced bank may lose its US licence

If Daiwa Bank's senior management had been hoping that Mr Toshio Iguchi's decision to plead guilty in a Manhattan courtroom to charges of fraud would mark the end of their long nightmare, they were quickly disabused on Thursday night.

In entering his guilty plea the former bond trader gave a long statement that contained the most damning allegations yet against the bank and its senior managers.

The statement claimed that Daiwa's management colluded with the trader after he had notified them of \$1.1bn (\$700m) of losses from US treasury bond-dealing, in an attempt to hide these losses from US regulatory authorities.

Daiwa's reaction yesterday was to deny the allegations of a cover-up, although it was, it said, continuing with its own investigation. But in rebutting the charges, the bank failed to dispel suspicions that top officials had been involved in some way with

the disposal of the losses. If the allegations turn out to be true, the repercussions would be extensive. The possibility that the top management of a leading Japanese bank actively concealed vital information from the highest regulatory authorities in the US would be deeply damaging for confidence in the banking system.

The bank itself could face draconian punishment both in the US and Japan, including withdrawal of its US banking licence. There is also the intriguing possibility that the bank's senior Japanese management could face prosecution in a US courtroom.

Daiwa's head office in Osaka admitted the moment the losses were revealed at the end of September that it had first been told about them on July 24 in a letter from Mr Iguchi. It is already under fire from regulators in the US and Japan for failing to report the losses to the US authorities throughout that eight-week period. But it has always maintained that the

reason for the delay was the need to conduct a detailed investigation into the circumstances surrounding the losses.

Mr Iguchi's story is rather different. He had built up the losses over an 11-year period of uniquely disastrous trading. To cover them he had sold securities, forging statements so that they purported to show the bank still held the securities.

On Thursday he claimed that, after July 24, a member of the bank's senior management told him to continue to hide the losses. Management, he said, filed a false report with the Federal Reserve Board on July 31 that it still held \$600m in Treasury bills that Mr Iguchi had in fact sold.

At the direction of senior management, he said, he then sold other securities to cover interest payments on the securities he had previously disposed of. In the process he continued to falsify the bank's records, also with the management's

approval. The deception continued until September. "On three occasions I sold securities with the knowledge of the management to pay interest, and I produced two fictitious safekeeping statements, also with the knowledge of the senior management," he said.

Daiwa's version of events seems to be that their involvement in the process was part of an elaborate counter-subterfuge. Daiwa yesterday acknowledged that the bank had authorised Mr Iguchi to continue selling securities but that the sales were made not to conceal the loss but to continue to pay interest due to customers. The bank said it was anxious to enlist Mr Iguchi's co-operation in its own inquiries and, to prevent him from fleeing, it agreed to go along with the securities sales.

At best, this account suggests the bank was in no obvious hurry to resolve and disclose the matter expeditiously as it was required to

under US laws. Indeed, Mr Iguchi also claimed that the bank said it had a plan to disclose the losses "some time in November".

Mr Iguchi also owned up, for the first time, to embezzling money himself - \$500,000 which he had used to purchase real estate. He also said he had two conspirators at the New York branch during the period he made the losses.

The Japanese finance ministry's response yesterday was terse. It said that, if they were true, the allegations were "regrettable". Its officials may have particular reason to regret them.

They are under heavy criticism for failing to pass on what they knew about the discovery of the losses more quickly. They were told by Daiwa's management about the problems on August 8, but it was only six weeks later that they passed on the information to US authorities.

Gerard Baker

worldwide customer service

Who knows where your customers will need assistance next. Wherever it is we can help you provide an instant response. The benefits of Mondial's substantial resources and comprehensive worldwide coverage are immeasurable and seamless. Tailor-made customer care services can be administered on your behalf and branded in your company's name. Our experience covers medical, legal, motoring, financial, insurance and travel markets. Total assistance with practical solutions to real problems, 24 hours a day, 365 days a year. Global peace of mind for your customers. All part of the service. Call Ailsa Macdonald on (+44) 0181 681 2525.

Mondial House, 1 Scarbrook Road, Croydon CR0 1SQ



MONDIAL ASSISTANCE

NEWS: UK

Arts to lobby over use of lottery funds

By James Blitz,
Lobby Correspondent

The Arts Council - the body which administers Britain's arts funding - plans to ask the government to ease the restrictions on the way it uses receipts from the National Lottery, amid growing expectations that its funding faces a tight squeeze in this year's Budget.

Although the government continues to insist that lottery money cannot be used to replace grants, the Treasury has put pressure on the Department of National Heritage - which funds arts and sports bodies now receiving money from the lottery - to cut its budget.

The Arts Council confirmed yesterday that a "preliminary decision" had been made last week to seek a widening of its discretion over the use of lottery receipts so they could be spent on projects deemed to be outside existing guidelines. But it insisted this would not mean lottery money could be used to replace its existing allocation from the government.

Senior figures in the arts world have expressed concern, however, that the decision amounted to an acceptance that the council will have to use lottery funds to compensate for a tight squeeze on arts spending which Mr Kenneth Clarke, the chancellor, is expected to impose in next month's Budget.

One said yesterday: "What the council is doing indicates a desire to allow new projects to go ahead which would otherwise be funded through the parliamentary vote. But the policy has dangers. For each exception they find, other potential beneficiaries under their umbrella will scream that they want more."

Under guidelines set out by both the government and the Arts Council, the £181.6m (\$288.9m) of lottery money which it has received so far can only be used on capital projects such as buildings, design and refurbishment.

However, an exception to this rule was allowed by the government earlier this year when the council was allowed to spend some lottery receipts on film production.

The Council said yesterday one specific proposal was that lottery money might be used to help record classical music and jazz that was considered not commercially viable.

Final decisions on the spending allocation for each department were being taken yesterday by Mr Clarke and Treasury ministers. The exact size of each department's spending allocation will be finalised at a full meeting of cabinet at the start of next month. But officials at the Department of National Heritage confirmed that its budget allocation for the next three years was under particularly strong pressure.

Investment boost for private finance scheme

By Andrew Taylor,
Construction Correspondent

One of Britain's largest pension schemes is supporting plans to launch a £100m (\$158m) private equity fund to invest in projects identified under the government's private finance initiative.

Hermes Investment Management, which manages Britain's post and telecoms pension funds, has agreed to invest a substantial sum as well as to sponsor the Innisfree PFI Fund.

The emergence of the first equity

fund dedicated to investing in PFI projects would provide an important confidence boost for the government's policy of shifting the financing and management of state-funded investment to the private sector.

Privately financed infrastructure projects have previously been funded on a piecemeal basis with promoters and operators mostly investing small amounts of their own money in equity and raising the bulk of the finance from debt.

Equity funds would provide an additional source of finance as well as

an alternative for smaller promoters and operators which lack the balance sheet strength to invest in their own right.

The scale of the PFI programme means that greater equity involvement by City institutions will be required if large numbers of schemes are to proceed. Some 500 projects, with an estimated value of more than £25bn, have been identified by the government's private finance panel as potential PFI developments.

Several large investment institutions, in addition to Hermes, have

expressed serious interest in investing in Innisfree, which is chaired by Mr Roger Brooke, chairman of Candover Investments, the management buy-out specialists.

Mr David Metter, who last year managed the £800m demerger and flotation of Capital Shopping Centres from Transatlantic Holdings, is chief executive of Innisfree. He left Transatlantic, the life assurance and property group, in April to form the new fund.

Its aim is to provide private equity for projects in sectors including trans-

port, health, prisons, and other infrastructure traditionally financed by the public sector.

Financing of the new fund is expected to be completed before the Budget on November 23.

Mr Kenneth Clarke, the chancellor, is expected to set a target next year for the award of about £5bn worth of PFI projects. This would represent more than one-fifth of the government's total investment programme of £21.7bn.

See Page 18

Latest official figures point to continued gap in the long term

Non-EU trade deficit narrows

By Graham Bowley,
Economics Staff

Britain's trade deficit with non-European Union countries narrowed last month for the first time since March, as exports grew at their fastest rate for more than six years.

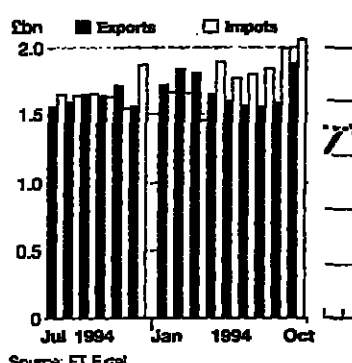
But despite this latest improvement, the long-run trend still suggests a widening deficit. The quarterly deficit, in the three months to September, is the highest since the first quarter of 1993.

The Central Statistical Office said yesterday the visible trade gap fell to £966m (\$1,099bn) in September, from £980m in August, the smallest deficit for five months. In the three months to September, the deficit was £2.5bn, compared with £2.1bn in the second quarter.

Both exports and imports reached record levels. Exports grew by 10 per cent in September, to £5.7bn, while imports rose by 3.5 per cent to £6.4bn.

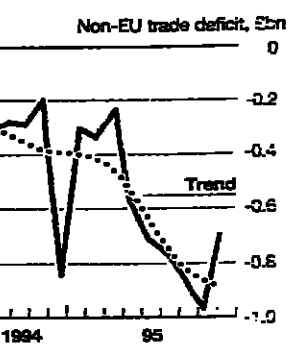
Changes in the trade bal-

EU trade with North America



Source: FT Econ

Non-EU trade deficit, £bn



ances on oil and erratic items, such as ships and precious stones, accounted for nearly half the reduction in last month's deficit, the CSO said.

In recent months, the trade figures have been hit by maintenance work in the North Sea, which has pushed Britain's trade balance in oil into the red. However, last month the trade deficit in oil fell from

£81m to £17m. The UK's total underlying deficit, excluding oil and erratics, shrank to £582m from £744m.

Exports to north America rose sharply last month. This came as a relief to some City economists, who fear the slowdown in the US, one of the UK's main markets, has been acting as a drag on UK growth.

The CSO said the deficit with

north America declined to £174m from £413m, as exports rose 19 per cent to £139m.

Elsewhere, exports to Asia rose strongly.

The increase in total exports was accounted for mainly by a rise in exports of capital goods, intermediate goods and consumer goods other than cars.

The rise in imports was largely due to an increase in imports of semi-manufactured goods, including silver from the US, the CSO said.

Overseas earnings by UK consultancy and legal firms rose last year for the first time since 1990, according to yesterday's figures.

The CSO said net overseas earnings of consultants and legal firms were £134bn last year, compared with £131bn in 1993. This brings to an end the decline in net overseas earnings since 1990, when earnings stood at £1.6bn.

Earnings from legal services rose to £502m, from £466m, in 1993.

Lloyd's sees lowest level of business for five years

By Ralph Atkins,
Insurance Correspondent

The level of insurance business transacted at Lloyd's of London has fallen to the lowest level since 1990, largely as a result of price competition from other insurers and uncertainty about the 300-year old market's future.

The contraction during this year - forecast in an internal report circulated within the market - highlights

the pressures faced by Lloyd's as it seeks to secure its future with an ambitious recovery plan.

Lloyd's ruling council is expected next week to debate plans to obtain Names' approval for the plan in late November - a step seen as important to boost policyholders' and investors' confidence.

Implementation of the plan is not due until Spring and some Names' representatives have expressed alarm at being asked to vote before many

details are available. Possibilities included seeking a mandate from Names via a less formal procedure than a vote, or postponing the poll until next year.

The plan is worth at least £2.8bn to loss-making and litigating Names - individuals whose assets have traditionally supported the insurance market. It would also transfer billions of pounds of old liabilities into a new reinsurance company, Equitas, leaving a "clean" on-going Lloyd's.

The Lloyd's report on business conditions forecasts an 11 per cent fall in insurance premiums this year, net of reinsurance taken out by underwriters to protect themselves against big losses. Part of the fall was attributed by Lloyd's to lower premium rates and a greater selectivity by underwriters towards the risks they underwrite.

But the report points out that other UK insurers reported broadly flat non-life premium income in the first half

of 1995 while US insurers and US and Bermudian reinsurers reported significant increases in international premiums. That suggests Lloyd's is also losing significant amounts of business to competitors.

Separately, Mr Mark Brockbank, underwriter on Lloyd's syndicate 861, announced he was cutting by 25 per cent his ship hull and machinery insurance business. He said across the board rate reductions by some insurers were not sustainable.

Barings accountancy probe

The accountancy profession's senior disciplinary body yesterday said it is to investigate whether there are grounds for a full scale tribunal over the role played by accountants in the collapse of Barings Bank. The executive committee of the profession's Joint Disciplinary Scheme has asked its executive counsel, Mr Michael Chance, to see if there are grounds for complaint against any member of member firm. A tribunal, if called, could levy unlimited fines and exclude members. The inquiry will look at the role of all those involved. Counsel is expected to report in 1997.

Jim Kelly

Pill decision criticised

The government's Committee on Safety of Medicines was criticised yesterday following its health warning on Thursday about seven brands of low-dose contraceptive pill taken by 1.5m British women.

Most vocal was Professor Walter Spitzer of McGill University in Montreal, who directed one of the three unpublished studies cited by the committee in its warning that the seven brands doubled the risk of deep vein thrombosis (blood clotting). He flew from Canada to London, to denounce the committee and the way it had treated his data. Prof Spitzer accused the government's medical advisers of breaking the Hippocratic Oath by their action.

"The core of the Hippocratic Oath is, above all, do no harm," he said. "Every time you create an epidemic of anxiety you do harm. In my opinion there has been a serious breach of acceptable health protection procedure. The likely result is an unnecessary and harmful 'pill scare'." Prof Spitzer echoed the views of the pill manufacturers when he said any increased risk of thrombosis might be outweighed by the greater safety of the "third generation" pills in other respects, such as heart attacks or stroke.

Clive Cookson, Science Editor

Swan Hunter staff win ruling

Former employees of Swan Hunter, the Tyneside shipbuilder which went into receivership in May 1993, have won a test case ruling which, solicitors estimate, will bring them a government payout totalling about £4m. The Employment Appeals Tribunal has ruled that no deductions should have been made by the former Department of Employment from the protective awards made by industrial tribunals in favour of the 2,500 people who lost their jobs following Swan's receivership.

Chris Tighe

Company chiefs' pay rises 5.9%

Chief executives of UK public companies received an average salary increase in the 12 months to July 1 of 5.9 per cent, according to a survey by Bacon & Woodrow, the remuneration consultancy. Main board directors' average increase was 7.5 per cent. A typical basic salary was £123,470 (\$195,082) with benefits of £52,519 and bonus payments of £26,557, making a total of £202,546.

The average basic salary paid to chief executives was £228,738, or £244,990 with benefits, and £299,318 including bonus payments. The study estimates that chief executives and directors have options outstanding of more than twice annual cash earnings.

William Lewis

'Whistleblowers' code set

The government will publish a new code for senior officials next week, enshrining for the first time the right of civil servants to blow the whistle on fraud in their departments and to refuse to carry out an instruction on a matter of conscience.

The rules, which have taken 10 months to compile after extensive consultation, are designed to comply with recommendations of the Nolan committee on standards in public life. The code, a brief statement of principles, requires government departments to nominate individuals who can be approached in confidence by civil servants who suspect colleagues or bosses may be taking part in "criminal or unlawful activity". They may also report incidents in which they are required to act in a way which raises "a fundamental issue of conscience".

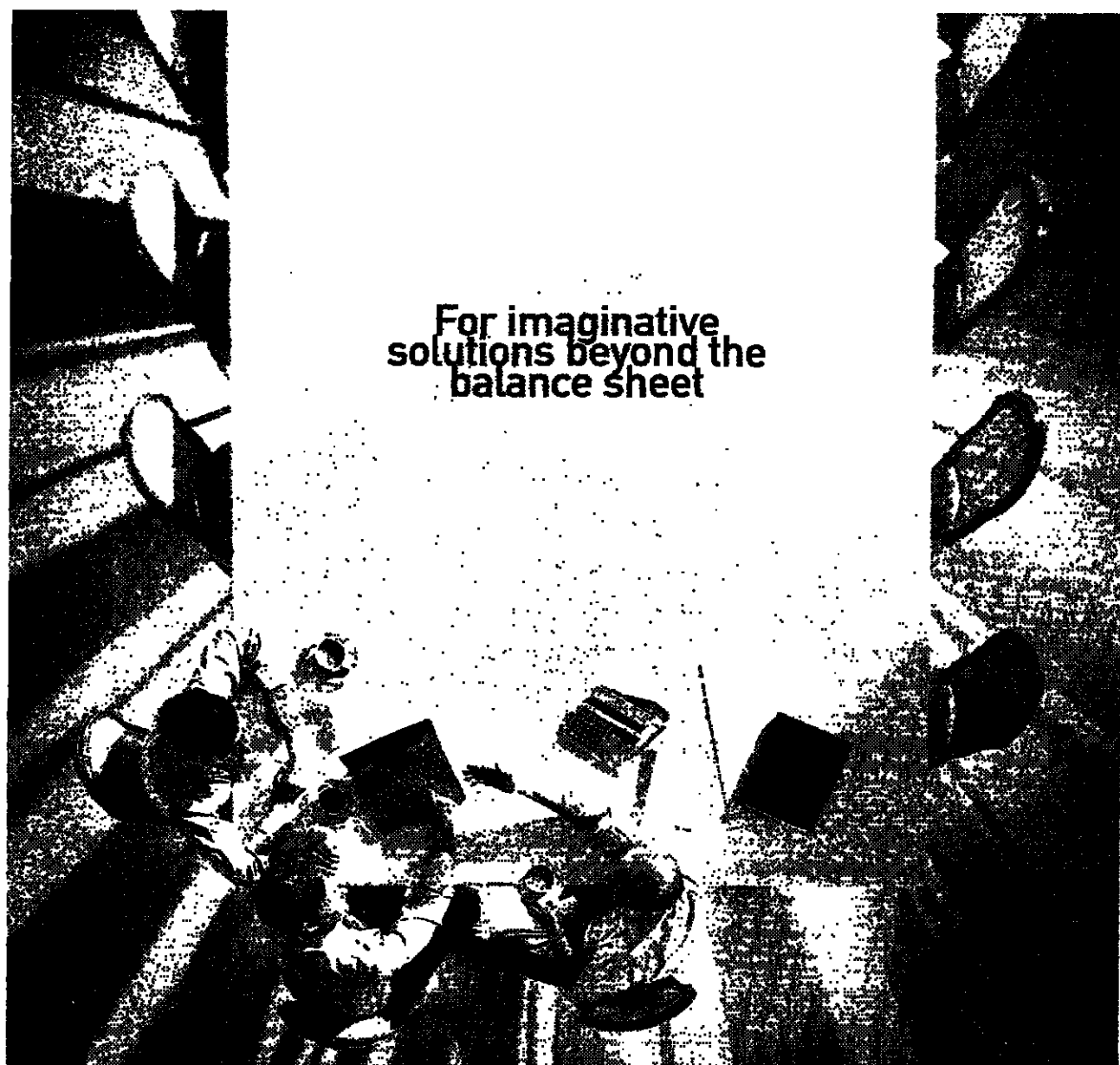
The First Division Association, the trade union which represents senior civil servants, says members have reported being ordered by ministers to carry out party political work, such as speech writing.

The right to "whistle blow" will come as a relief to civil servants who have had no source of redress in the past. Campaigners for greater openness, while welcoming the principle, said they would reserve judgment until they saw the new system working in practice.

The code, which will come into force at the end of November, allows civil servants to appeal to the end of November commissioners if they are not satisfied with the complaints procedure within their departments. The code is one of the less controversial proposals of the Nolan committee to be approved by the government or parliament.

The most contentious issue, a tightening of the register of MPs' interests, will be debated by the Commons before the end of the current session in early November.

John Kampfner



For imaginative solutions beyond the balance sheet

Business is about more than just numbers on a balance sheet. It's about people, ambition and seizing opportunities. These are some of the things we at Trade Indemnity-Heller consider when you need to finance your business. We take a wider, overall view. Get to know your people. Assess the opportunities. And then act to provide the finance you need. Get in touch with Trade Indemnity-Heller Business Finance on 0800 85 86 87. Where others don't want you to fail, we want you to succeed.

Trade Indemnity-Heller

For imaginative solutions beyond the balance sheet

Croydon, Birmingham, Bristol, Stockport, Leeds

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine: 0891 437 001. Calls are charged at 39p/min during peak and 19p/min at all other times. For service outside the UK please telephone +44 171 572 4375 for details on Cityline International.

FAST 64 KBIT SATELLITE TECHNOLOGY
FOR COMPLETE REAL-TIME DATA OF THE US AND EUROPEAN EXCHANGES
FOREX, FUTURES, OPTIONS, EQUITIES, NEWS
LONDON: 04 171 588 3877 NEW YORK: 1 212 249 6720 ASHING: 3 01 362299 NEW StarQuote

FUTURES & OPTIONS TRADERS
FOR AN EFFICIENT & COMPETITIVE SERVICE
BERKELEY FUTURES LIMITED
38 DOVER STREET, LONDON W1X 8BB
TEL: 0171 629 1155 FAX: 0171 485 0022

Union Limited
FUTURES AND OPTIONS TRADING
Clearing and Execution Service 24 hrs
Tel: +44 171 329 3030
Fax: +44 171 329 3919

IG INDEX
HOW TO SURGE - OR CRASH - BACK YOUR VIEW TAX-FREE
To obtain your free Guide to how your Financial Institutions can help you, call Michael Murray on 0171 572 4375 or write to us at IG Index Plc, 1 Watney Way, London SW1E 8BB.

Futures, Options & Currencies with direct access to exchange floors
James Maxwell
Tel: 0171 702 1994
Fax: 0171 480 6112
MURPACE
UK & International Equities and Bonds, GDRs and ADRs
Louise Paine
Tel: 0171 702 1177
Fax: 0171 680 0434

Protect and finance all information direct to your PC for a few hundred pence
Market-Eye
FREEPHONE 0800 321 321 FAX 0171 395 1001

WANT TO KNOW A SECRET?
The I.D.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and control your losses. How? That's the secret. Book your FREE place. Phone 0171 588 5858

24HR FOREX
+44 171 865 0800
Daily Fax Service
0171 865 0800
CURRENCY MANAGEMENT CONSULTANT, PC, MAC, IBM, UNISTAR, PC, IBM, UNISTAR

TREND ANALYSIS LTD
Daily Analysis & Trading Recommendations by Fax
FOREX • METALS • BONDS • COMMODITIES
Phone 01962 879764
For FREE TRIAL Fax 01424 774067

PRINCE & NERNANDER
SECURITIES AND FUTURES LIMITED
Vickers House, 125 Broadway, London EC2A 1BB
Tel: (44) 171 417 9720 Fax: (44) 171 417 9719

FOREX
SOVEREIGN (FOREX) LIMITED
24 HOUR MARGIN TRADING FACILITY
COMPETITIVE PRICES
DAILY FAX SERVICE
Tel: 0171 - 931 9186 Fax: 0171 - 931 7144
On Buckingham Palace Rd, London, SW1W 0EX

Order books more than double but bidder 'surprised' by flat sales

Dobson estimates 41% growth

By Tim Burt

Dobson Park Industries, the mining equipment manufacturer, has announced a hostile £172m bid for Harnischfeger Industries, its US rival, yesterday said profits would increase by 41 per cent this year following a sharp rise in orders.

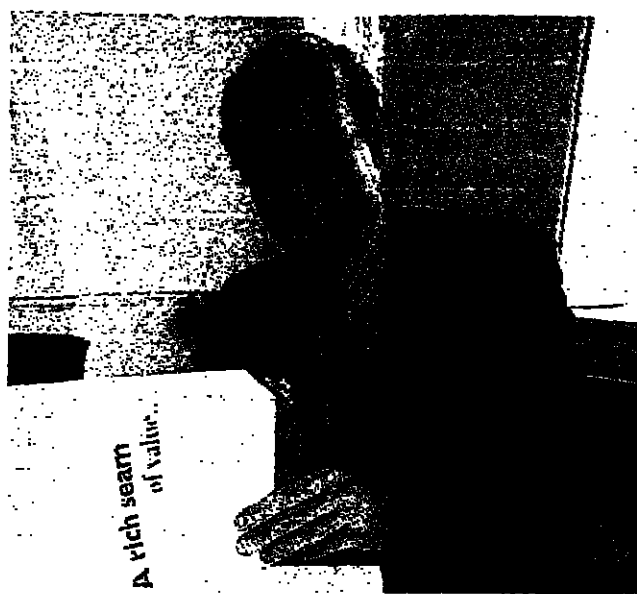
The company, which has rejected Harnischfeger's 110p a share offer, predicted pre-tax profits of £14.8m (£10.5m) for the year to September 30 and said the value of its order book had more than doubled to £147m.

It also promised shareholders an increased final dividend of 3.3p (2.55p) - making 4.5p (3.75p) for the year - and said it would offer a pay-out of at least 5.2p next year. Earnings per share are estimated to rise to 6.5p (5.3p).

"This is not a dividend giveaway to entice shareholder support," said Mr Adrian Buckmaster, chief executive.

Launching Dobson Park's defence document, he added: "It simply reflects our strong operating profits and order book."

Although Dobson Park's share price rose 1p to 125p, Harnischfeger said it was



Adrian Buckmaster: dividend is not a giveaway to entice support

unimpressed by the figures and suggested the shares would be trading at less than 100p were it not for its bid.

"The profit performance is in line with our expectation and certainly no less than shareholders should demand of a

company approaching its cyclical peak," said Mr John Hanson, chief operating officer at Harnischfeger.

"However, we are surprised and disappointed that the company's sales are effectively stagnant at a time when it is claiming strong order books."

Those sales increased marginally from £224m to £230m.

Harnischfeger - which wants to integrate Dobson Park's Longwall International mining subsidiary with Joy Mining Machinery, its coal cutting business - has until next Friday to revise its offer.

Mr Hanson played down suggestions of a significant increase and said several of Harnischfeger's institutional shareholders had urged it not to over pay.

"They have done their own valuation of Dobson Park and told us our (existing) offer was too high," he added. Some City analysts disagreed, and one suggested that yesterday's profit forecast would have pushed Dobson Park shares above Harnischfeger's offer price even in the absence of a bid.

Dobson Park, meanwhile, is expected to strengthen its balance sheet by selling its toys business, surplus property and its Richard Simon bagging equipment subsidiary.

Clyde Blowers, the materials handling company, has signed an outline agreement to acquire the Richard Simon business.

Rentokil expands security business

By Geoff Dyer

Rentokil, the environmental and property services group, is to expand its growing security business with the acquisition of GMIC in Belgium for £19.7m.

The group has agreed to buy the business, which would be its first security operation in continental Europe, from Mayne Nickless, the Australian transport, security and healthcare company, and Générale de Banque, Belgium's biggest bank.

The deal, which is subject to regulatory clearance, follows Rentokil's acquisition in August of Mayne's North American security businesses for £33.2m.

The group moved into the industry in 1993 with the £76m purchase of Securigard in the UK. It plans to make further acquisitions in the sector, particularly in the US.

GMIC has 1,750 employees and is the second largest security business in Belgium, providing mobile patrols, cash transportation and overnight courier services. It has net assets of £27.12m and in 1994 made operating profits of £1.81m on turnover of £12.5m.

This is the latest in a series of divestments by Mayne of its non-Australian security businesses. It recently sold Security Express Alarms in the UK to Chubb and its Spanish alarms businesses, Cinseca and Inglesa, to Cerberus, the Swiss security group.

Bid for Fisons unconditional

By Daniel Green

Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the French chemicals group, has declared unconditional its £1.8m takeover bid for Fisons.

RPR had received acceptance from shareholders representing 46 per cent of Fisons shares; it had previously bought 21 per cent of the shares in the market.

The closing date was yesterday and RPR said that the 26.5p a share offer was extended indefinitely.

Scholl ready to meet rebel holders halfway

By David Blackwell

Scholl, the healthcare products group, yesterday said it was prepared to appoint an additional non-executive director "of a stature acceptable to all its shareholders" in order to end the battle with the rebel faction.

The announcement followed an approach from J.O. Hambro & Partners, which together with the UK Active Value Fund holds a 15 per cent stake. The rebels have requested an extraordinary meeting for next Tuesday with the aim of electing three of their nominees to the board and putting the group up for sale.

Mr Christopher Mills of Hambro contacted Samuel Montagu, Scholl's adviser, with the proposal on Thursday. It is understood that the main board rather than through a committee if there were an approach from a potential bidder.

Both sides were claiming victory yesterday. Mr Mills, who rejected any suggestion that the rebels were climbing down, said: "In our opinion the vote is incredibly close. But both sides believe it is not in the best interests of the company for the battle to be protracted."

Mr Mills has proposed that a senior colleague at Hambro be appointed a non-executive director who would "chair" a committee of the board to consider any approaches the company receives". Acceptance of the proposal would lead to the withdrawal of the requisition for an EGM.

UK Active Value said it hoped the Scholl board would "enter into the spirit of the negotiation positively".

Mrs Judy Stammers, Scholl finance director, said the dispute had been "very, very disruptive, time consuming and costly. It could have been done in a much more positive way".

She added that while the board would accept another non-executive, he or she would have to be independent of any faction, be chosen from a range of candidates, and would have to work with the main board rather than through a committee.

It is too late to cancel the EGM but it might be adjourned - in any case the rebels will be able to change their proxy votes. The proxy vote will be finalised tomorrow.

The battle began last month as the group reported an 18 per cent rise in interim pre-tax profits to £11.8m and the appointment of a new chief executive.

Mr Julian Treger of UK Active Value, who has been the principal spokesman for the rebel faction, argued that the ownership of a stand-alone brand made no sense as it entailed considerable distribution costs.

He suggested that a lot of international consumer product companies would be interested in Scholl, which dominates the leg and foot care markets. Four potential bidders were said to have approached the rebels.

Mr Gordon Stevens, chairman of Scholl, has vigorously rejected the plan and pressed hard for further information about potential bidders. His letter to shareholders earlier this month described the directors proposed by the rebels as "short-term investors" who did not merit places on the board.

Earlier this week Scholl received a letter from Arkopharma, a private French company, interested in a merger. Arkopharma, which is based in Provence, has annual sales of about £75m.

Grid terms delayed by Hanson tax problem

By David Lascelles, Resources Editor

A last-minute tax problem with Hanson, the industrial conglomerate, prevented publication of the terms of the National Grid Company flotation as planned yesterday.

Hanson became a shareholder in the Grid through its recent acquisition of Eastern Group, the Ipswich-based electricity distributor. The tax clearances for the £23.5m flotation which had previously been agreed by Eastern now have to be transferred to Hanson, or "refreshed".

Hanson said it expected that this would be done by early next week. "We remain enthusiastic about the flotation and expect it to go ahead," the group said. "This is only a process issue."

National Grid said: "This is not something that will jeopardise the transaction."

The terms to be announced will include a valuation of the Grid and a forecast of its dividends. The shares are due to start trading on December 11.

Surrey Group warns after summer slump

By Nigel Clark

Surrey Group, the bookmaking concern, is expected to fall back into the red for the six months to September 30.

Although the year started satisfactorily, directors said that in common with much of the betting industry the company experienced a downturn in margins during August and September. The board thought it was too early to estimate the result for the year.

The shares fell 4p to 1p. In the six months to September 30 1994, the company returned to profits with £45,000 pre-tax against losses of £57,000. Full year profits were £195,000, when the company said it was considering a number of opportunities for expansion in leisure related activities.

Cash call from Cordiant expected before year end

By Diane Summers, Marketing Correspondent

Cordiant, the Saatchi & Saatchi holding company, is finalising details of a rights issue to help clear its debts of £150m.

The cash call now looks set to go ahead before the end of the year. Mr Rob Seelert, who was appointed chief executive in July, will, under the terms of his contract, collect a bonus of £160,000 (£103,000) if the issue is completed by December 31.

Analysts had been expecting

the rights issue to be on a 2-for-3 basis at 100p, when the share price stood about 120p in August.

Since then, shares have dropped to 90p. The lower share price means a greater number of shares would have to be issued to raise the cash to pay off all the debt.

This would have the effect of diluting future earnings and dividends, when they are resumed.

Ms Lorna Tibbrian, media analyst with Pamure Gordon, said yesterday that it could

now take a 7-for-8 share issue, with a discount to 70p, to wipe out the debt.

"Perhaps the time isn't right. The share price has come back and they'd have to issue more shares. But he [Mr Seelert] has got a personal incentive to do it sooner rather than later," she said.

Mr Seelert's contract, which is for an initial three years, provides for an annual salary of \$300,000, the \$160,000 bonus for refinancing by the year end, and an annual performance bonus in subsequent years.

NEWS DIGEST

start-up costs in Malaysia and Indonesia. The benefits of these plants were expected to show in next year's results. Losses per share emerged at 9.57p (0.36p earnings).

Westminster Scaff

Westminster Scaffolding Group has withdrawn from negotiations over its planned merger with John Gibson Agencies. The USM-traded group announced in August that it had reached a provisional agreement on the merger, but due diligence caused it to revise the terms and these were not acceptable to Gibson.

DCC expands

DCC, the Dublin-based industrial company, has acquired 44.5 per cent of International Translation & Publishing, plus an option to raise its holding to 90 per cent at any time up to September 30 1997.

EIS/Aerostructures

EIS, the specialist engineering group, has declared its £18m agreed offer for Aerostructures Hamble, the aircraft parts maker, unconditional as to acceptance.

It has received valid acceptances in respect of 28m shares (50.74 per cent). The offer remains open until further notice.

Richards ahead

Richards Group, the engineering and support systems company, reported pre-tax profits up from £120,000 to £175,000 for the six months to June 30.

Turnover was up from £9.22m to £9.3m, of which 24 per cent was exported, the company said. The interim dividend is maintained at 1p, payable from earnings of 1.55p (1.07p) per share.

The company said investment in two new product ranges, pre-galvanised cable tray and distribution of imported bushings, would benefit the group in 1996.

Clyde Petroleum

Clyde Petroleum is to pay a net \$5.3m (\$3.4m) to acquire a further interest in the Ross development, with an additional 11.9167 per cent stake in Block 13/22a.

Clyde is to acquire from Elf Enterprise its 18.25 per cent interest in the Block, while Clyde has also reached a separate agreement with Lasso to pass on to Lasso a 6.2333 per cent interest in Block 13/22a on pro rata terms.

Mr Roy Franklin, Clyde's managing director, said the net result of these deals should be to add about 9-10m barrels of oil to the company's reserve base and raise its overall interest in

Ross to over 12 per cent. Clyde estimates Ross has some 65m barrels of good quality oil.

Voss Net

Voss Net, the Aim-listed company which markets a computerised view order sales system, turned in a pre-tax loss of £320,511 for the six months to June 30.

For the year to December 31 1994 there was a pre-tax deficit of £298,371. Turnover came to £161,222 (£57,722 for year) mainly reflecting progress of the company's medical services product. There was also a contribution from the Voss Net On Line service.

Secs Trust Scotland

Securities Trust of Scotland, the diversified investment trust managed by Martin Currie, had a net asset value of 94p a share at September 30, a rise of 11.5 per cent during the six month period.

Mr David Whitaker, chairman, said the advance - which underperformed the benchmark FTSE-A All-Share Index by more than three percentage points - reflected good returns from equities being partly offset by a poorer showing from fixed interest holdings.

Attributable revenue for the period edged up from £5.03m to £5.21m, for earnings of 1.63p (1.57p) per share. The interim dividend is held at 1.08p.

Independent Parts

Independent Parts Group is to acquire Autostart Group and Quest Components for an initial £5.5m, payable in new shares. IPG will also assume debt of £500,000.

The group announced the placing and open offer of a total of 4.21m new shares at 130p, of which 461,500 have been allotted to the vendors and the remainder placed with institutions. The shares will be available to qualifying shareholders on a 3-for-14 basis.

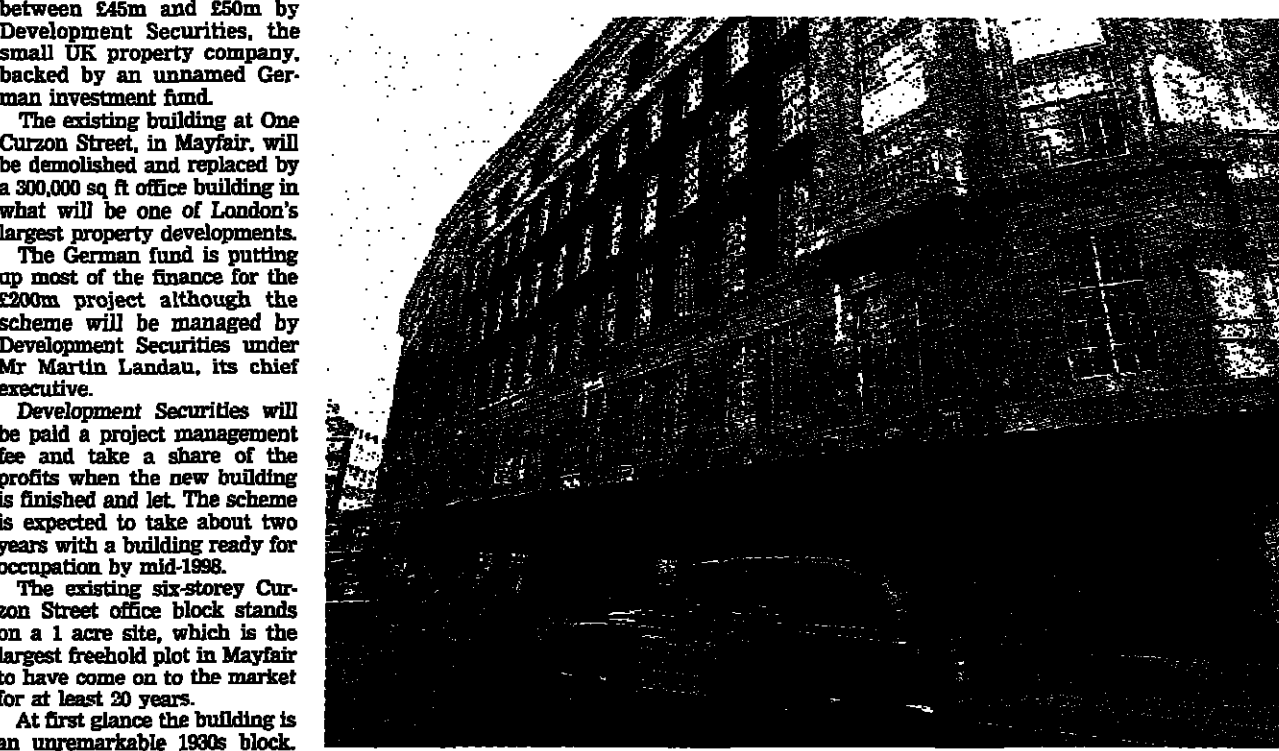
The businesses being acquired rebuild car engine components and complement IPG's existing operations. Their combined operating profits for the year to March 31 were £548,000 on sales of £4.85m. Net assets stood at £403,000.

Armour Trust

Armour Trust has acquired House of Despina, a maker and distributor of pot pourri, fragrance gifts, associated toiletries and cosmetics, for £100,000 in cash and shares. HoD's turnover for the year to June 30 was £1.8m. It has a 17 per cent share of Mercia International Fragrances, which develops and makes fragrances.

Spy HQ comes in from the cold

Development Securities buys former MI5 home for up to £50m, writes Simon London



One Curzon Street, where mirrors and telephone wires remain as evidence of its former occupants

The former London headquarters of MI5, the counter-intelligence service, has been acquired for between £45m and £50m by Development Securities, the small UK property company, backed by an unnamed German investment fund.

The existing building at One Curzon Street, in Mayfair, will be demolished and replaced by a 300,000 sq ft office building in what will be one of London's largest property developments.

The German fund is putting up most of the finance for the £200m project although the scheme will be managed by Development Securities under Mr Martin Landau, its chief executive.

Development Securities will be paid a project management fee and take a share of the profits when the new building is finished and let. The scheme is expected to take about two years with a building ready for occupation by mid-1998.

The existing six-storey Curzon Street office block stands on a 1 acre site, which is the largest freehold plot in Mayfair to have come on to the market for at least 30 years.

At first glance the building is an unremarkable 1930s block. Inside it is the usual drab mix of long corridors and small offices.

But although the interior has been stripped by its former occupants, MI5 left behind some clues that this was not an ordinary office building.

A sign beneath a red warning in the car-park reads: "Suspected hostile activity. Consider counter measures."

The walls of the central "registry" area, where files were kept on potential security suspects, are peppered with mirrors which allowed MI5 agents to see over their shoulders.

One large room on the sixth floor is empty apart from a maze of metal ducts from which dangle thousands of severed telephone wires. The most likely explanation is that the security service maintained its own telephone exchange for surveillance.

Some legends about the building have turned out to be true. For example, MI5 did run its own bar on the top floor - known as the Grapevine - to discourage agents from frequenting local pubs.

But although the royal family sheltered in the basement during the second world war, surveys have not uncovered any traces of the underground passage which was reputed to have linked Curzon Street with Buckingham Palace.

MI5 did run its own bar on the top floor - known as the Grapevine - to discourage agents from frequenting local pubs.

But although the royal family sheltered in the basement during the second world war, surveys have not uncovered any traces of the underground passage which was reputed to have linked Curzon Street with Buckingham Palace.

● Mitsubishi Estate, the Japanese property company, has taken full control of Paternoster Square, the development site next to St Paul's Cathedral in the City of London. Mitsubishi is paying £1m each to Grayco, the UK developer, and Park Tower Realty of the US, to buy out their interests in the site, which has been awaiting redevelopment for more than a decade.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Waggoner Estate	Yr to June 23	7.3 (4.80)	2.31 (1.11)	4.61 (2.61)	1.75 (1)	Nov 23	1.25	3.25
Pengkalen (UK)	6 mths to June 30	25.4 (25.4)	4.32 (0.200)	0.571 (0.38)	1	Nov 30	1	nil
Richards	6 mths to June 30	9.3 (8.23)	0.175 (0.12)	1.55 (1.07)	1	Nov 30	1	2.25
Superframe	6 mths to June 30	1.74 (1.9)	0.042 (0.152)	0.48 (1.86)	0.7	Dec 5	-	-
Voss Net	6 mths to June 30	0.16 (0.053)	0.32 (0.3)	- (-)	-	-	-	-
Westminster	6 mths to June 24	5.68m (5.53m)	3.69 (3.43)	6.59 (6.15)	2.75	Apr 9	2.75	7.75
Investment Trusts	NAV		Attributable earnings (p)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year
ISS Enterprise Cap	Yr to Sept 30	147 (123.5)	0.504 (0.148)	1.25 (0.38)	-	-	-	-
Sava Trust Scotland	6 mths to Sept 30	84 (85.6)	5.21 (5.08)	1.03 (1.57)	1.08	Dec 15	1.08	3.37
Value & Income	6 mths to Sept 30	121.8 (106.6)	1.22 (0.88)	2.73 (1.86)	2.2	Jan 5	2.1	4.2

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. ‡Aim stock. *Comparatives pro forma for year to December 31 1994. *Comparatives restated. †Gross rentals and service charges.

COUNTY HALL
1 BEDROOM LUXURY APARTMENTS

FROM
£99,000

NO DEPOSIT*

ON 1 & 3 BEDROOM APARTMENTS

SEE PAGE 16 IN WEEKEND FT FOR DETAILS

*Subject to status, available on selected flats only.

FOR FURTHER INFORMATION
GALLIARD HOMES LIMITED
FREEPHONE 0800 545658 • SALES TEL: 0171 620 1500

► Real-time U.S. & international
quotes on over 90,000 issues
► As low as 59p/day. Call today:
44 + (0) 171 600 6101

INTERNATIONAL COMPANIES AND FINANCE

Property losses hit Générale des Eaux

By John Riddling in Paris

Générale des Eaux, the French water, construction and communications group, yesterday announced a sharp fall in profits for the first half of 1995 and warned that property losses for the full year could reach between FF80bn and FF70bn (\$12.1bn to \$11.4bn).

The company, one of several casualties of France's depressed property sector, said it would probably suffer a loss this year, against net profits of FF3.35bn in 1994. Mr Jean-Marie Messier, managing director, said losses would be offset by receipts from a programme of asset sales, and forecast a strong rebound in earnings in 1996.

In the first half, Générale des

Eaux saw net profits fall to FF224.3m from FF21.25bn in the comparable period of 1994 - but excluding property and construction losses, the result was stable. Operating profits rose by 4.5 per cent to FF1.87bn on sales of FF80.6bn, a rise of 10.8 per cent.

In addition to the acute problems in the property sector, Mr Messier said the company had been hit by losses in its German construction business. These losses, mainly in roads and environmental engineering activities, were forecast to result in a significant deficit for the full year.

Industry analysts said Mr Messier, who joined the group last year and is preparing to succeed Mr Guy Dejouany as

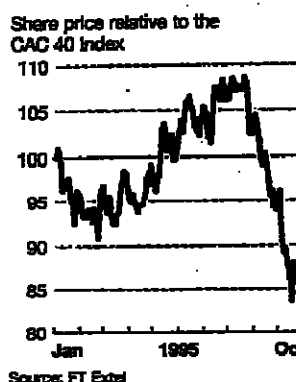
chairman, is seeking to resolve problems in the company's property activities.

He has already overseen the absorption and recapitalisation of Compagnie Immobilière Phoenix, the company's troubled property subsidiary, which suffered a big loss in 1994.

Mr Messier claimed the provisions and restructuring in the property sector should be completed by the end of the year. He said Générale des Eaux would increasingly focus on its strategic businesses, expanding its international water and electricity operations and developing its telecommunications activities in France.

Générale des Eaux said it had seen a strong expansion in its water and services business

Générale des Eaux



overseas this year, including contract awards in Puerto Rico, Malaysia and Australia. Electricity sales in the US doubled during the period.

Overall, international sales grew by 17.5 per cent to FF24.4bn.

Mr Messier is aiming to build the group into France's second-largest telecoms operator after state-owned France Télécom. He said SFR, the group's mobile telecoms division and one of France's two mobile operators, had significantly increased its market penetration since the beginning of 1995. The cost of investment in the network prompted an operating loss of FF967m at SFR in the first half.

Despite sluggish demand in the construction sector, the company said it was on course to achieve its sales forecast of FF153bn to FF165bn for the full year, a rise of between 5 per cent and 6 per cent.

Price rises behind advance at Metsä-Serla

By Hugh Carnegie in Stockholm

Metsä-Serla, one of Finland's leading forestry industry groups, yesterday joined its rivals in announcing a big jump in profits in the first eight months of the year, but investors worried about the longevity of the cycle remained unimpressed.

Metsä said profits after financial items jumped from FM351m in the same period last year to FM1.28bn (US\$300.9m). Sales were also up strongly, rising from FM6bn to FM8.48bn.

The results brought the combined profits during the period for the four top Finnish pulp and paper groups to almost FM7.8bn, compared with less than FM3bn last time.

Mr Metsä said it expected the recent strong upward trend in product prices to continue and forecast further improvement in profitability during the final four months of the year.

But Metsä's most-traded share fell despite the results, closing down FM2.00 on the day at FM162. Forestry shares confirmed their recent downward trend on both the Helsinki and Stockholm stock exchanges. The Helsinki forestry index fell almost 2 per cent to 1,894.33, far below its level at the end of last month when it stood at 2,056.4.

Investors are worried that the upward price trend has weakened and may have peaked. They are also concerned that new investment in paper capacity will come on stream just as the cycle is turning down, undermining prices.

Metsä acknowledged that price rises would be slower in the near future than over the past two years. It said a run-down in stocks had caused a depletion of order backlogs for some products, but it said it expected a resumption of strong demand growth once stocks had been run down.

Group operating profit at Metsä rose from FM504m to FM1.4bn in the period. All the group's three main business areas showed increased sales and operating profits.

Small investors back ADM as board stands firm

Archer Daniels Midland bowed very slightly to pressure from large shareholders on Thursday and agreed to form a committee of five directors to examine corporate governance issues. But the move was the only concession to protesting pension funds at an annual meeting where ADM's Mr Dwayne Andreas declared: "I'm the chairman, and I make the rules as I go along."

ADM and Mr Andreas, have been under fire since June for not giving shareholders information about a continuing government investigation into alleged price-fixing at the company.

But the most vocal critics, institutional shareholders which hold nearly half of ADM's shares, were not at Thursday's meeting, held in a high-school gymnasium only yards from ADM's main processing plant. Instead the meeting was packed with elderly residents who are long-time shareholders and owe their livelihoods to the company.

"We don't think there's much wrong here," said Mr Bill Stocks, a local farmer who also sits on the board of a bank and a grain elevator which do business with Archer Daniels.

"ADM has been awful good to farmers here. The row has escalated into a protest over the structure of the 17-member board, which is stacked with ADM executives and relatives of the Andreas family."

ADM, with sales of \$12.7bn last year, is North America's largest flour miller and corn processor, and operates the world's biggest soybean processing plant in the Netherlands.

The 77-year-old Andreas quickly quashed contributions from the floor seeking management reform. He was applauded when he chastised speakers for "imposing" on attendees and ordered their microphones shut down.

The only shareholder resolution before the meeting, a motion to add more women and minorities to the all-white board, was roundly defeated.

The existing board was reappointed, despite protest votes representing more than 33m shares, or about 6 per cent.

Just before the meeting the board voted to double ADM's cash dividend and repurchase another 35m shares - moves which bolstered the company's share price.

When Mr James Randall, ADM's president, took the podium, he fumbled for a minute with his microphone and then said: "Excuse me, I'm having trouble with my wire." Nobody laughed, perhaps because few caught the reference to Mr Mark Whitacre, the former ADM executive who was a secret microphones to ADM meetings during his three-year stint as an FBI undercover agent.

ADM has accused Mr Whitacre of embezzling \$8m. Mr Andreas disclosed that the company's insurance would cover the alleged theft. He also said ADM had initiated civil proceedings in Switzerland to recover about \$4m of the lost funds still held in bank accounts controlled by Mr Whitacre.

Mr Brian Mulroney, former prime minister of Canada and now an ADM director, who heads a special board committee formed to respond to the government investigation, gave a rousing defence of his own and the board's independence. Yet he admitted his committee had not been asked to carry out an independent investigation of the anti-trust matter.

He and Mr Andreas told shareholders that legal considerations linked to the government inquiry and a raft of related civil suits prevented them from offering more details on the company's situation.

As shareholders filed out of the meeting several said they had learned very little from the gathering. One said: "The company's doing good, but the stock would be doing better if they were more up-front about this whole thing."

Laurie Morse

Divorce settlement unsettles Nouvelles Frontières

By Andrew Jack in Paris

A divorce is threatening to break the long-standing stability in ownership of one of France's most successful tourism companies for the first time since it was founded in 1967.

A shareholder in Nouvelles Frontières, a privately-controlled tourist operator, yesterday placed some of her shares on the Paris stock market in spite of the express intention of the founder and chairman to keep his company out of public hands.

Mr Jacques Maillot, the colourful founder of Nouvelles Frontières, built his company with financial support from a handful of childhood friends who have remained almost its sole

shareholders ever since. Most continue to work for the company.

It has grown to become one of the best-known and most successful operators in France with an estimated turnover for the current year of FF7.2bn (\$1.45bn) and 2.2m clients.

However, the ownership structure was threatened after Mr Patrick Nottin, a one-time boy scout friend of Mr Maillot and an original shareholder in the company, divorced his wife Catherine Cadepond three years ago.

He gave half of his 13.9 per cent stake to her, and at the start of this year sold his shares to Mr Maillot for FF15m. But Ms Cadepond wanted far more money, and had offered to sell her shares for more than FF100m - figures which Mr

Maillot described yesterday as "unreasonable".

Ms Cadepond then decided to sell her shares publicly, and introduced 10 of her 566 shares to the hors-côte or off-market exchange in Paris yesterday at FF33,350 each.

She can accept the highest bid by the time the offer expires on Tuesday and her advisers said she was likely to sell her remaining shares in the same way if the price were sufficiently attractive.

Leven, a Paris-based stockbroker organising the quotation, estimates that Nouvelles Frontières is worth up to FF1.8bn. However, in a letter from the company at the start of the official prospectus for the shares, Nouvelles Frontières criticised many aspects of the

offer and said the valuations were excessive and "surreal".

Mr Maillot said yesterday he did not rule out a partial flotation of the group - or more likely some of its subsidiaries - but pointed out that the existing structure, in private hands, had worked perfectly well until now.

He stressed that the group statutes stated it had to approve any change in share ownership, leaving open the option for him to buy them from whoever makes an offer to Ms Cadepond.

He added that the company had never paid a dividend, with all the money being re-invested in the group, and it did not intend to change this policy. "I am laid-back about the whole thing," he said.

Groupe Bull cuts loss and expects break-even for year

By John Riddling

Groupe Bull, the French computer manufacturer, reduced its net losses from FF2.22bn to FF874m (\$170.69m) in the first nine months of the year, and said it was maintaining its target of break-even for 1995.

However, the result prompted concern among industry observers who had forecast a stronger improvement after the return to operating profit in the first half.

They said the performance in the third quarter and the sharp fall in sales in the group's two

core businesses, enterprise systems and customer services, demonstrated the fragility of the recovery.

The state-controlled French group, which has recently concluded the sale of significant equity stakes to international partners including Motorola of the US and NEC of Japan, has lost more than FF20bn over the past five years. It has implemented a radical restructuring programme under the chairmanship of Mr Jean-Marie Descarpentrie, who took charge of the company in 1993.

Total sales, excluding divestments, in the nine months

amounted to FF17.7bn, against FF18.1bn in the same period last year. However, turnover at the two core businesses fell 12 per cent, while sales in France declined 11 per cent.

Bull cited several positive aspects of the performance during the period, which saw the operating loss shrink from FF283m to FF117m.

It said its six designated high-growth businesses, which include open systems and systems integration, achieved combined sales growth of 7 per cent. Bull said growth was especially satisfying in its

European operations outside France.

The company said that three out of every five Bull employees had become shareholders in the group as part of its partial privatisation, which was launched earlier this year. The tranche for personnel was almost twice subscribed, for a total value of FF116m.

The French group is involved in a two-stage privatisation process, needed partly to satisfy conditions from the European Commission for a FF11bn capital increase which was approved last year.

Last month, Motorola confirmed it would exercise an option to take a stake of 17 per cent in the group, having previously committed itself to a 10 per cent holding.

NEC of Japan and France Télécom also have stakes of 17 per cent, while several other international groups have smaller holdings in Bull.

The French government's share of just over one-third of Bull's capital effectively gives it control, although a full privatisation will be achieved through the sale of further stakes in the company.

Ciro accuses Country Casuals of 'desperation'

By David Blackwell

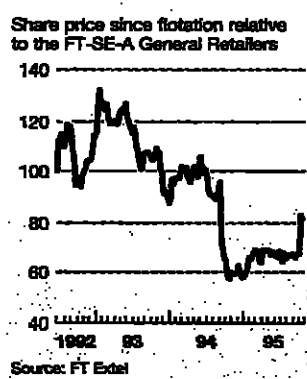
Ciro Holdings has accused Country Casuals, the women's wear manufacturer, of trying to distract attention from its 140p a share cash offer.

"We are surprised by Country Casuals' sorry attempt to continue to shift the focus away from the cash offer," said the group. "This smacks of desperation on the part of the board."

Ciro's remarks follow further statements from Country Casuals yesterday concerning the amount of money that Mr John Shannon, the former chief executive of Country Casuals who now heads Ciro, will make if the £26.8m bid succeeds.

On Thursday, Ciro put out a supplement to its offer document which said that Mr Shannon would be paid £60,000 in fees for arranging the financing. In the original offer document, Mr Shannon, who is the

Country Casuals



Source: FT Intel

biggest Country Casuals shareholder with 19 per cent, said he would pay himself £128,100 in compensation to settle his claims following the boardroom row that preceded his resignation.

Yesterday Country Casuals, which publishes its defence document next week, said the

two payments meant an extra 5p a share for Mr Shannon. It also described his determination to pay himself compensation as "a contradiction of the normal standards of corporate governance" and suggested that the maximum he would get from an industrial tribunal would be £12,333.

Next week's defence document will reiterate Country Casuals' commitment to Elvi, its loss-making brand for larger women which caused part of the row with Mr Shannon.

Ciro said on Thursday that it would "dispose of or discontinue the business of Elvi" not later than six months after taking it over.

Country Casuals said yesterday that it would "demonstrate that Elvi has significant potential". The board was also concerned about "the damaging uncertainty which Mr Shannon's comments could have on Elvi".

Superframe downturn to £42,000

Superframe, the St Albans-based manufacturer of acrylic display systems, blamed relocation to new premises and problems with deliveries for a sharp setback in interim profits, writes Graham Deller.

This, coupled with a cautious statement on current trading from Mr Andy Gilbert, chairman, saw the shares drop 5p to 40p. This compares with a flotation price in March of 50p.

On turnover down some 8 per cent at £1.74m, pre-tax profits for the first half of the year dropped from £152,310 to £41,877.

Mr Gilbert said that growth in the seasonally favourable second half would emanate from new product sales. He warned, however, of "uncertainty among some of our retail customers, resulting in both orders and deliveries for new products being slower than anticipated".

An uncovered interim dividend of 0.7p is declared. Earnings per share were 0.49p (1.96p).

CableTel wins fresh Welsh franchise

By Raymond Snoddy

International CableTel, one of the UK's largest cable operators and the first to be quoted, has consolidated its Welsh interests with the award of a new 800,000-home franchise in Gwent and Glamorgan.

The licence has gone to CableTel South Wales, a 60:40 joint venture with South Wales Electricity.

It will pay £104,186 a year for the 15-year "local delivery licence" plus 2 per cent of qualifying revenue for the sixth to tenth years and 4 per cent for the remainder of the period.

The venture already operates a franchise covering more than

300,000 homes in Cardiff, Newport and West Glamorgan.

Mr Terry Ryan, managing director of CSW, said yesterday the new licence was an important part of a strategy of expanding its ability "to provide a true choice for telephone, television, data and multimedia services throughout south Wales".

The investment needed to build a cable network to 300,000 homes is about £100m, much of which will be met out of cash flow from subscribers.

CableTel also recently won the right to cable Northern Ireland as a single franchise covering more than 500,000 homes.

Changes to FT-SE 100 and Mid 250 Index

The FT-SE Actuaries UK Indices Committee has approved that Fisons be replaced by London Electricity in the FT-SE 100, following the announcement that the Rhône-Poulenc Rorer offer for Fisons has become unconditional in all respects.

London Electricity will be replaced by London Clubs International in the FT-SE Mid 250. London Clubs will also become a constituent of the FT-SE Actuaries 350 Higher Yield Index.

Low-class roots and high-class profits

John Murray Brown explains why family links keep Fyffes at the top of a rough trade

Not long ago, it was the view of institutional investors that the McCann family would have to loosen its grip on the top management of Fyffes, the Dublin-based international fruit and vegetable distribution company.

As Mr Neil McCann prepares to step down as chief executive at the end of this month, handing over to his two sons, Carl and David, the family connection is seen as the driving force for the company's success.

The change in investor sentiment in part reflects the company's solid profits performance in a difficult market for bananas, its main product. It is also a measure of the poor record of Fyffes's main rivals.

Geest, the UK-based fruit trader, has suffered a string of setbacks which some analysts trace to the end of the Geest family interest, while US multinationals like Chiquita misread the market and became overstretched in the expectation of bigger quotas with the introduction of the European Union's single market in 1993.

"Knowledge of the banana business is far more important than any worries about how much of the company the family controls," says a London analyst.

The 71-year-old founder will certainly be a hard act to follow, having transformed what was in the 1960s a small Dundalk-based wholesaler into

Europe's second largest banana and general produce operation.

In 1986, Fruit Importers of Ireland, the McCann family company, bought the UK-based Fyffes group from Chiquita for £28m, at a time when Fyffes's own market value was only £15m. Since then, sales have risen from £154m to close to £1bn (£1.02bn), the forecast figure for the current year. Fyffes has seen earnings per share grow on average more than 5 per cent a year since 1990.

'Anyone who lives above a fruit company in hot weather knows how unpleasant it can be'

"Fyffes would be seen in the trade as slightly different," says Mr McCann. "The rest would be regarded as 'office hours' and slightly bureaucratic. Fresh produce is a night and day business, and it's an attitude that families retain."

The company is proud of what Mr McCann calls its "low-class" roots. The company headquarters is still located in the fruit-littered street just off the Liffey quayside, in Dublin's

main fresh produce market.

And unlike others in the sector which have diversified, Fyffes has remained focused on its core activities, while expanding through acquisition.

For all that, Mr McCann would be the first to admit he could have done more for the cause of "investor relations," although his explanation is characteristically direct. "I think we're so busy selling bananas that we probably don't give much effort to selling the company to investors."

In 1991, the company, edged on by increasingly anxious institutions, appointed a new chief executive - Mr John Callaghan, senior partner of a local accountancy firm. He stepped down two years later. Although both parties agreed not to discuss the break-up publicly, Mr McCann concedes the move was ill-judged.

"I think we made a mistake and I think he made a mistake. The fruit trade is a rather special business. It requires an urgency. Prices change by the hour, by the minute. It's more like the bookies at the races," he says.

Mr McCann's own departure inevitably raises questions about the capabilities of the second generation in a difficult trading climate.

In developed markets like the EU, consumption remains flat and in the less sophisticated areas like eastern Europe, logistic and payment

difficulties prevail. On top of that, there is the political uncertainty, with the US challenging the EU's banana regime, which gives preferential access to African, Caribbean and Pacific bananas.

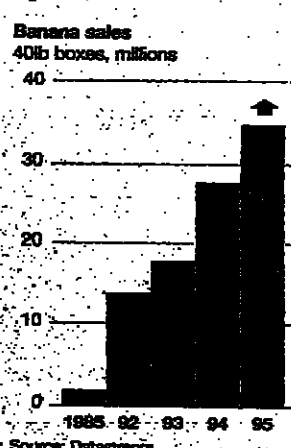
Fyffes is certainly better placed than its competitors, sourcing about half of its supplies from ACP countries and half from "dollar" producers in Latin America.

Mr McCann sees no early end to the EU regime. Nonetheless, Fyffes appears anxious to position itself for the return to a free market in bananas and has made a number of acquisitions in Germany and the Netherlands, which have no links with former banana growing colonies and therefore buy dollar bananas.

The timing has been fortuitous too, with interest rates easing - diminishing the attractions of holding high cash positions. Mr McCann says asset prices have also stabilised, after the "silly" levels reached in the wake of the acquisition spree of Mr Asil Nadir, the Turkish Cypriot head of Polly Peck International. Fyffes had a "good hard look" at Del Monte when the PPI administrators were looking for buyers, but Mr McCann would be interested again, but only in buying the brand.

Ironically the share price has remained fairly flat since 1993

Fyffes



when Dole, the US fruit conglomerate, bid £420m for Fyffes, and when strong stock buying "discounted a couple of years of earnings in a couple of weeks", as one analyst remembers. The shares closed yesterday at 104p - valuing the company at £264.3m - against 122p at the time of the Dole bid.

The banana industry is enjoying a modest comeback, with athletes and tennis players promoting the fruit's health properties. Mr McCann ruefully observes: "It wasn't the companies that did anything; it just happened. It may look romantic but it's still a rough trade with long hours. Anyone who lives above a fruit company in hot weather knows how unpleasant it can be."

NEWS DIGEST

Molyneux doubles to £2.31m

Molyneux Estates, the property investment company, more than doubled pre-tax profits from £1.11m to £2.31m in the year to June 30, on turnover ahead 56 per cent to £7.8m.

At the year-end, the value of the portfolio, which Mr David Lewis, chairman, said was well spread geographically and comprised about 1.58m sq ft of net accommodation, amounted to £98.3m (£94.6m).

Earnings per share came through at 4.61p (3.61p) and a proposed final dividend of 1.75p makes a total of 3.25p (2p).

Holmes & Marchant

Holmes & Marchant Group, the marketing and communications consultant, said that mainly because of a shortfall in sales, results for the second half would offset the £200,000 profits made in the six months to March 31.

The shares fell 5 1/4p to 64p. That outcome was produced by a reduction or deferral of about 4 per cent in sales, the company said, because of its high operational and financial gearing. Accordingly, it had reduced overheads by about £500,000.

GTI Corporation

GTI Corporation, the US subsidiary of Telemetric, the supplier of specialised electronic

components, raised net income from continuing operations from £1.52m to £2.45m (£1.58m) in the third quarter to September 30, giving a nine months figure of £3.74m (£3.38m).

GTI, which is quoted on Nasdaq, turned in third quarter sales of \$55.3m (\$27.2m) making \$95.3m (\$73.3m) for nine months, while earnings per share - including discontinued operations - came to 26 cents (20 cents) and 46 cents (47 cents) for the respective periods.

First Maryland up

Allied Irish Banks said its First Maryland Bancorp unit reported third-quarter net profit of \$31m (£20m), up from \$28.5m a year earlier.

Net profit for the nine months to September 30 was \$88.7m, up from \$82.7m.

NatWest sells K3

National Westminster Bank has announced the sale of K3 Group, a subsidiary of Management Computing Services (formerly Centre-File), to IBM UK for £7m.

K3 is a supplier of software and support services, primarily to the insurance and building society markets.

Animex loss

Costs relating to its recent listing and substantial upgrading of production facilities in Russia left Animex, the Dublin-based oil exploration and production company, with a net loss of \$295,586 (£190,959) for

the first half of 1995, against a \$348,070 profit last time.

Sales were static at \$5.86m because of an upgrading programme. Losses per share were \$0.87 (£1.04).

Following the agreement to participate in a second development in the Komi republic at Kirtayel, Animex's net proven and probable reserves have increased to 38m barrels of oil equivalent.

Grosvenor placing

Grosvenor Inns has placed 662,999 new shares at 215p to raise about £14m.

The shares were placed with institutions and represented 4.99 per cent of the current issued capital.

Proceeds would finance further pub acquisitions.

مكتبة الأصيل

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Squeeze slows LME copper fall

Concern about a shortage of immediately available supplies helped the copper market to regain some of this week's sharp fall yesterday morning, but the bearish tone was quickly reasserted.

The three months delivery price at the London Metal Exchange bounced to \$2,714 a tonne at one stage, but by the close it was back to \$2,383.50, up \$2 on the day and down \$81 on the week. Reflecting the supply tightness the cash premium, or "backwardation", widened out to \$79 a tonne, before lunch time, compared with \$66 at Thursday's close and \$24 in mid-week.

In view of the widening backwardation - a reversal of the normal "contango" situation, where the cash position trades at a discount, reflecting the costs (storage, insurance and lost interest) of holding physical metal - LME officials are closely monitoring the copper market.

"We are looking a bit more closely at copper because the backwardation is for nearby dates as well as the forward dates," said Mr David King the chief executive. But he added: "We are not overly concerned".

Traders told the Reuters news agency that the flare-up in the backwardation over the latter stages of this week reflected the perception that there was a large cash pricing requirement in the market.

"Pricing" involves purchasing cash metal to cancel earlier hedging sales, thereby fixing the effective cost of physical purchases.

However, the high cash pre-

mum encouraged speculators to "lend" metal to the market by selling cash and buying forward, which capped the price rise.

Other LME metals followed copper's gyrations. The three months delivery aluminium price jumped to \$1,700 a tonne early yesterday but closed at \$1,646, down \$23 on the day and \$60.50 on the week.

News of a sharp rise in LME stocks of the metal was cancelled out by the International Primary Aluminium Institute's reporting of a smaller-than-expected increase in primary production in September.

At the London bullion market the gold price ended the week with a test of the bottom end of its recent restricted trading range. The price closed yesterday at \$383 a troy ounce, down 25 cents on the day and \$2.20 on the week. Most of the fall happened on Thursday, when a wave of investment fund and commission house selling sent the price to a six-week low of \$181.45 at the afternoon "fixing".

"There is still good demand under the market," a dealer told Reuters at that time, adding that the move looked like the near moribund state of the precious metals markets recently.

Yesterday some traders were suggesting that a test of support at \$380 was likely before the market made any further attempt on the upside. "I think people had got a touch complacent about the precious metals, leaving them vulnerable to a move like that seen on Thursday," one dealer said. "Sentiment has turned a touch bearish and it could fall another dollar or so, but I would look to buy into any dips," he added.

At the London Commodity Exchange cocoa and coffee futures staged modest rallies this week, but both were a little easier yesterday.

Cocoa market operators were cautious sellers as they nervously awaited this weekend's elections in the Ivory Coast, the world's biggest producer.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1638.5-10.5	1645-47
Open	1632-34	1659-70
High/Low	1654-55	1700/1648
AM Official	1654-55	1691-92
Kerb close	213-40	1696-8
Open int.	64,029	
Total daily turnover	1,247	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1370-50	1410-30
Open	1365-45	1425-30
High/Low	1400-10	1450
AM Official	1400-10	1440-50
Kerb close	3,136	1420-30
Open int.	1,247	
Total daily turnover	1,247	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	850-51	850-51
Open	845-50	848-48
High/Low	854	855-51
AM Official	854-54	855-53
Kerb close	32-48	854-5
Open int.	6,470	
Total daily turnover	8,975	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	7880-70	7880-70
Open	7870-60	7885-65
High/Low	7890-80	7900-80
AM Official	7890-80	7900-80
Kerb close	44,963	8000-10
Open int.	8,975	
Total daily turnover	8,975	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	8165-75	8200-40
Open	8165-75	8175-80
High/Low	8205-15	8255-10
AM Official	8205-15	8255-10
Kerb close	18,273	8200-20
Open int.	2,195	
Total daily turnover	2,195	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	8075-85	8101-82
Open	8075-85	8098-80
High/Low	8098-80	8101-82
AM Official	8098-80	8101-82
Kerb close	80,777	8101-82
Open int.	80,777	
Total daily turnover	80,777	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2780-65	2835-34
Open	2780-65	2835-34
High/Low	2780-65	2835-34
AM Official	2780-65	2835-34
Kerb close	2780-65	2835-34
Open int.	2780-65	2835-34
Total daily turnover	2780-65	2835-34

■ LME AM Official 2 mths 1995

	Cash	3 mths
Close	1,579-5	1,579-5
Open	1,579-5	1,579-5
High/Low	1,579-5	1,579-5
AM Official	1,579-5	1,579-5
Kerb close	1,579-5	1,579-5
Open int.	1,579-5	1,579-5
Total daily turnover	1,579-5	1,579-5

■ HIGH GRADE COPPER COMEX

	Cash	3 mths
Close	128.10	128.10
Open	128.10	128.10
High/Low	128.10	128.10
AM Official	128.10	128.10
Kerb close	128.10	128.10
Open int.	128.10	128.10
Total daily turnover	128.10	128.10

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

■ LONDON ROLLON MARKET

	Cash	3 mths
Close	381.50	381.50
Open	381.50	381.50
High/Low	381.50	381.50
AM Official	381.50	381.50
Kerb close	381.50	381.50
Open int.	381.50	381.50
Total daily turnover	381.50	381.50

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

	Cash	3 mths
Close	382.5	382.5
Open	382.5	382.5
High/Low	382.5	382.5
AM Official	382.5	382.5
Kerb close	382.5	382.5
Open int.	382.5	382.5
Total daily turnover	382.5	382.5

■ PLATINUM NYMEX (50 Troy oz; \$/troy oz)

	Cash	3 mths
Close	410.9	410.9
Open	410.9	410.9
High/Low	410.9	410.9
AM Official	410.9	410.9
Kerb close	410.9	410.9
Open int.	410.9	410.9
Total daily turnover	410.9	410.9

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

	Cash	3 mths
Close	138.50	138.50
Open	138.50	138.50
High/Low	138.50	138.50
AM Official	138.50	138.50
Kerb close	138.50	138.50
Open int.	138.50	138.50
Total daily turnover	138.50	138.50

■ SILVER COMEX (5,000 Troy oz; \$/troy oz)

	Cash	3 mths
Close	320.0	320.0
Open	320.0	320.0
High/Low	320.0	320.0
AM Official	320.0	320.0
Kerb close	320.0	320.0
Open int.	320.0	320.0
Total daily turnover	320.0	320.0

■ ENERGY

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

	Cash	3 mths
Close	17.21	17.21
Open	17.21	17.21
High/Low	17.21	17.21
AM Official	17.21	17.21
Kerb close	17.21	17.21
Open int.	17.21	17.21
Total daily turnover	17.21	17.21

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

	Cash	3 mths
Close	17.21	17.21
Open	17.21	17.21
High/Low	17.21	17.21
AM Official	17.21	17.21
Kerb close	17.21	17.21
Open int.	17.21	17.21
Total daily turnover	17.21	17.21

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

	Cash	3 mths
Close	17.21	17.21
Open	17.21	17.21
High/Low	17.21	17.21
AM Official	17.21	17.21
Kerb close	17.21	17.21
Open int.	17.21	17.21
Total daily turnover	17.21	17.21

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

	Cash	3 mths
Close	17.21	17.21
Open	17.21	17.21
High/Low	17.21	17.21
AM Official	17.21	17.21
Kerb close	17.21	17.21
Open int.	17.21	17.21
Total daily turnover	17.21	17.21

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

	Cash	3 mths
Close	17.21	17.21
Open	17.21	17.21
High/Low	17.21	17.21
AM Official	17.21	17.21
Kerb close	17.21	17.21
Open int.	17.21	17.21
Total daily turnover	17.21	17.21

■ CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Nov	1.738	+0.013	1.745	1.723	10,150	20,150
Dec	1.812	+0.023	1.815	1.795	9,318	30,150
Jan	1.854	+0.013	1.885	1.845	4,333	23,150
Feb	1.806	+0.007	1.810	1.800	1,889	12,150
Mar	1.784	+0.012	1.788	1.755	1,562	8,150
Apr	1.708	+0.012	1.710	1.700	355	6,150
Total					32,595	144,150

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday October 21 1995

Waiting for the next election

From Mr John Major's point of view, perhaps the most ominous development of the week has been the way in which a new stock-market high has coincided with a distinct shift towards a pre-election mood in London's financial markets.

The attention paid to the electoral calendar is scarcely surprising. Though Mr Major still has 17 months of elbow-room before the vote if he chooses to use it, the week's developments have raised the political temperature. The row over the prison service; the lingering effects of the party conferences; the sense that Mr Kenneth Clarke's imminent Budget will be his last opportunity to influence the public's feelings; and the threat by the Ulster unionists to bring down the government unless Northern Ireland policy changes – all these have focused investors' minds on the vote to come.

Normally, these reminders that an election is on its way, coming at a time when the Conservatives stand so poorly in the opinion polls, might be expected to send the markets into gloom. Yet the FT-SE 100 index reached a new high on Wednesday, as the equity market resumed the upward momentum that has gained it nearly 600 points since the rally started in March.

This enthusiasm does not necessarily mean that the markets welcome the prospect of a Labour government, though Mr Tony Blair has clearly gone some way towards neutralising his traditional mistrust of his party. From the Conservatives' point of view, this erosion of one of their traditional weapons – fear of Labour – must be a cause for concern.

Seen in a wider perspective, the traditional pattern of a sharp run-up in shares in the 18 months before an election appears to be reasserting itself, at least for the moment. In the year and a half before the 1979 election, the All-Share rose 30 per cent. It went up 42 per cent ahead of the 1983 election, and 61 per cent before the 1987 one.

Downward influence

These were all elections the Conservatives were expected to win. Before the 1992 election, where the outlook appeared to favour Labour, the rise was much more modest, a mere 19 per cent. In this case, though, the index had first risen 31 per cent before falling back in the nine months immediately ahead of the vote.

A repetition of this pattern is not inconceivable. Today's market is driven by liquidity, as takeover bids pump cash into investors' pockets. For the moment, the obvious home for that cash is the equity market, especially since

there is every likelihood of more bids to come. The once-in-a-lifetime restructuring of the utility industry is not yet complete; the probability that any future Labour government would subject all takeover bids to greater scrutiny is also likely to lead companies to act sooner rather than later. And fears of a crash in US technology stocks, an important downward influence on the UK market earlier this autumn, receded this week.

Investment dilemma

Still, even if the short-term outlook suggests a continuation of the pressures that have pushed the market upwards, there are medium-term forces at work in the other direction. Whenever equities rally without a comparable rise in gilts, there is room for doubt as to how durable the bull market will prove. When this year's rally started in the spring, bonds and equities moved up together. Since June, however, their paths have diverged. The FT-SE Actuaries All-Share index has risen 8 per cent over this period, but long-dated gilts have fallen 3 per cent in price. A month ago, long gilts were yielding just under 8 per cent; they are now well above that magic figure.

Last month's gilt auction flopped; the prospect for next week's is rather better. Mr Clarke appears to be making heroic efforts to persuade the markets that government spending is under tight control, despite the relatively poor performance of official borrowing so far this year and the clear desire of Tory backbenchers for tax cuts.

Even a successful auction next week will not resolve the investment dilemma, however. As long as bond investors continue to share the Bank of England's forebodings about future inflation, the divergence between gilts and equities will threaten to bring the stock market rally to an end – perhaps an abrupt one. Yet the political pressures on Mr Clarke must incline him towards taking greater risks on inflation than the Bank and the gilts market would wish. And Labour's search for revenues to finance its electoral promises is likely to point it back towards the corporate sector, already targeted for a windfall levy on privatised utilities. If Labour does make it clear that it intends to move in this direction, Mr Clarke may be tempted to grab the money first.

In the short run, electoral peril for the government can co-exist with a continued stock market rally. In the longer term, however, the evolution of Labour policy and the Conservatives' response to the threat of defeat may make that co-existence more fragile.

Four years after it was first declared dead and buried, communism is again haunting Russia. The Communist party was briefly outlawed after the failed 1991 coup against then president Mikhail Gorbachev, and seemed perpetually discredited. But it now leads in most opinion polls and is expected to win more votes than any other party in parliamentary elections in December.

Some analysts predict that an alliance of Communists and hardline nationalists will emerge as the dominant political force in the new Russia, controlling a majority of seats in the new legislature.

One of the most striking signs of the power of what Russian analysts call the "red-brown" bloc is the magnetic pull it already exerts on Russia's leaders. As recently as two years ago, the Russian government's rallying cry was about dismantling the old communist regime – which it vilified in phrases borrowed from Mr Ronald Reagan, former US president – and replacing it with a new democratic market economy. Last week Mr Victor Chernomyrdin, the prime minister and leader of a pro-government party, went out of his way to accommodate his communist opponents.

"I have absolutely normal relations with the communists," he said. "I was communist myself and a member of the Central Committee of the Communist Party and I do not regret it."

Ironically, the rehabilitation of communism and the growing appeal of hardline nationalism came at a time when the policies of the anti-communist reformers who came to power in 1991 appear finally to be paying off. Inflation is lower and the rouble has stabilised. Gross domestic product, which declined by 19 per cent in 1992, 12 per cent in 1993 and 15 per cent last year, is expected to fall by only 5 per cent this year. Western economists say it could grow by up to 10 per cent next year.

But Russians have yet to be affected by any economic "feelgood factor". The price of austerity has been a fall in consumption and real wages and a rise in unemployment. Many people, including soldiers, teachers and doctors, are being paid their wages with a delay of several months. Life expectancy has plummeted, and Russia has become a turbulent country in which civil wars, attempted coups and violence seem commonplace.

Even in the countries of eastern Europe, where the communist order was less deeply established and economic recovery came more quickly, disgruntled voters have punished reformers for the pain of the transition by replacing them with communist or left-wing parties. In Russia, the backlash could be even greater. In this month's municipal elections in the southern Russian city of Volgograd, Communists

December's parliamentary elections will be an important measure of public sentiment in Russia. But it is the presidential ballot scheduled for next June that will decide who really rules Russia. Under the Russian constitution, the presidency dwarfs all other political institutions, and it is ultimately the president who determines the country's domestic and foreign policies.

Although he drew the support of only 7 per cent of respondents in a recent opinion poll, Mr Boris Yeltsin, Russian president, is still the favourite of many analysts. A

Chrystia Freeland on the prospects for a Communist-nationalist alliance in Russia

When the reds turn to brown

won 22 out of the 24 seats.

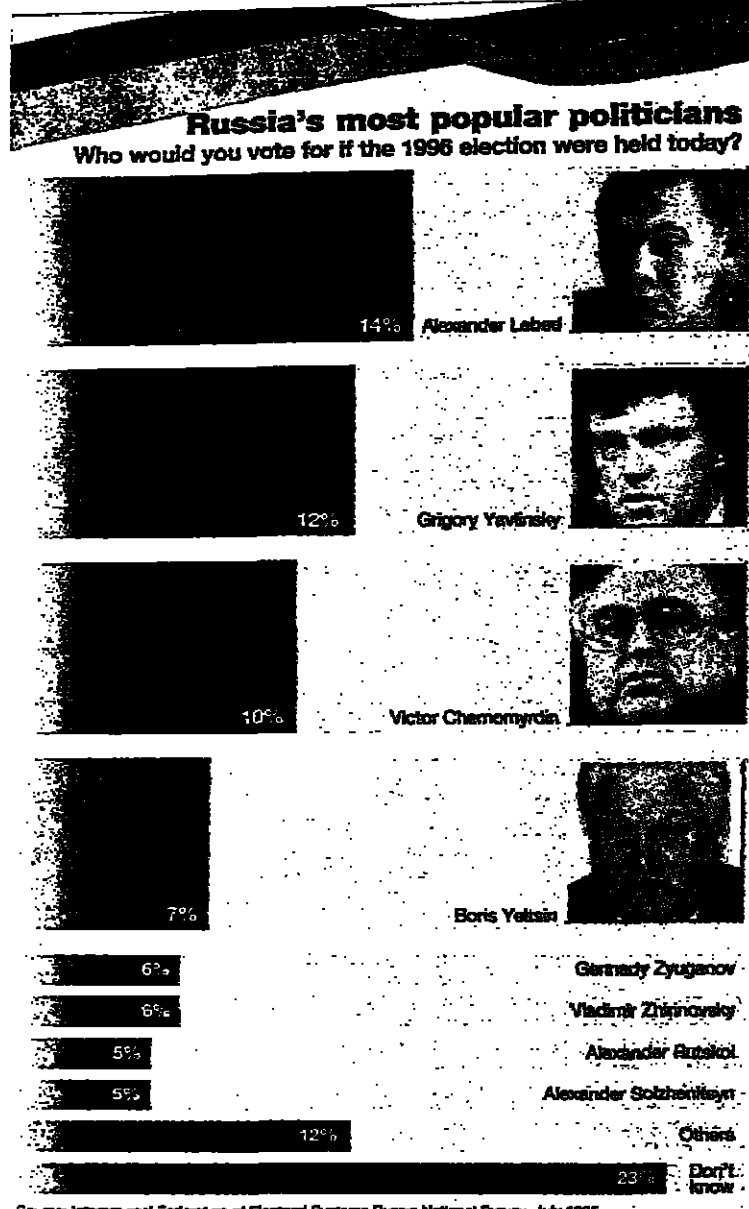
A second source of anger is the popular belief that members of the elite have used market reforms to transform the prerogatives they enjoyed under communism into even more pleasant rewards of capitalism. Most Russian voters are convinced that corruption is common at the highest levels of government in almost every region of the country, a local factory allegedly given away to its director at a bargain price serves as a focus for public resentment of the country's leaders.

For Communist party leaders, government corruption is a particularly effective campaign slogan because it allows them to distinguish between the good, honest rank-and-file communists (themselves) and the corrupt communist leadership (the current government) which oppressed Russians under the old regime and continues to do so with a different ideology today.

"There were two [communist] parties," said Mr Aman Tuliya, the number two candidate on the Communist party list. "There was the party of real people, the honest workers, who believed in their leaders, and then there was the party of the leaders, which sold its people down the river."

In exploiting popular discontent over economic reform and corruption, the communists have forged alliances with the hardline nationalists, particularly the Congress of Russian Communities. This new nationalist party was formed only this year and is organisationally weak, but its deputy leader, Mr Alexander Lebed, a former general, regularly beats all other Russian politicians, including President Boris Yeltsin, in opinion polls.

Predictions of a strong showing for the communists and nationalists in December's parliamentary elections have become conventional wisdom in Russia. But many western diplomats argue that a "red-brown" triumph would not have much impact on the country. Constitutionally, this argument goes, the powers of parliament are very limited and thus even a parliament controlled by the communists and nationalists would have little direct influence over Russian politics or the economy.



"We have been going on the theory that the elections don't really matter that much," one western ambassador says. "Even if the bad guys take over the parliament they can't do that much damage."

Many observers also expect the communists and nationalists to moderate their sometimes vehe-

ment campaign rhetoric if they achieve real power. Mr Gennady Zyuganov, the leader of the Communist party, has been encouraging western and Russian businesspeople to take this view over a round of lunches and suppers at which he has worn smart suits and positioned himself as a Russian ver-

sion of the technocratic Euro-communists now in charge of Hungary. Furthermore, in contrast with the gratuitously offensive Mr Vladimir Zhirinovskiy – Russia's best known ultra-nationalist – Mr Lebed, the rising star of the nationalist camp, appeals to moderate patriots as well as hardliners. Like America's favourite former general, Mr Colin Powell, Mr Lebed has shied away from committing himself to specific policies, relying instead on his aura as an officer and a gentleman to attract voters.

But, as the ratings of the communists and nationalists have been steadily rising in opinion polls, other analysts have begun to warn that Russian communists and their new nationalist allies pose a very real threat.

"If our Communist party were a good, charming, reformist party of a social-democratic nature, which has embraced the principles of the market, private property and democracy, the free press and a policy of peace, then I would not attach any importance to the outcome of the elections," says Mr Yegor Gaidar, who first launched Russian reforms as prime minister in 1992 and today leads Russia's Choice, a democratic, pro-reform party.

"But it requires enormous ignorance to confuse our Communist party with the [ex-communist] parties of eastern Europe," Mr Gaidar says. In a reference to their growing links with nationalists, he says that Russia's Communist party "is shifting not from red to pink but from red to brown. Their ascent will mean the ascent of a party of destruction, a party of war."

As Mr Gaidar points out, the greatest impact of a communist/nationalist dominated parliament is likely to be felt in foreign policy. Despite popular dissatisfaction, market reforms are firmly entrenched in Russia with more than 80 per cent of the workforce employed by at least partially privatised enterprises. Reversing this change in ownership would be well nigh impossible.

Striking a note of robust Russian nationalism offers an easier way for the "red-browns" to win support. Over the past few months Russia's government has already begun to shift to a more nationalist and anti-western stance, objecting to Nato air strikes in Bosnia, opposing the eastward expansion of the Nato alliance and pledging to fund the construction of a nuclear reactor in Cuba.

A strong showing by communists and nationalists in the December parliamentary elections could well exacerbate this shift. In the months following that vote, western politicians might well discover that Russia's new communists have been converted to capitalism, but are almost as hostile to the west as their Soviet predecessors were.

Russia's largest and best organised party, he is a rather grey individual. Mr Lebed, a charismatic officer who inspired the loyalty of his soldiers, may be a better figurehead for the "red-brown" bloc; his appearances on the campaign trail, however, have been disappointing. Such is the random nature of post-Soviet politics that the presidential race could even be won by a dark horse candidate who has not yet emerged on the political scene. Observers point to the strong showing in recent Latvian elections of Mr Joachim Siegerist, a largely unknown German citizen who speaks only broken Latvian.

Presidential race runners

minor heart attack in the summer raised questions about his physical ability to run the country, but he has emerged from a September vacation as a vigorous leader who appears keen to stay in power. He has already survived four turbulent years in charge.

But – as his low standing in opinion polls suggests – Mr Yeltsin could also become a victim of the deep-seated public discontent with the hardships accompanying economic reforms.

Mr Victor Chernomyrdin, prime minister, was once viewed as Mr Yeltsin's heir-apparent. But he is now thought to have a less promising political future.

Our Home is Russia, the pro-government party he leads, has put on a lacklustre performance in recent regional elections and in opinion polls. And there is speculation that Mr Yeltsin, anxious to shift the blame for Russia's economic difficulties on to someone else, wants to sack him.

There is more interest in the chances of the two leaders whose parties appear set to dominate the parliamentary elections: Mr Gennady Zyuganov, the Communist leader, and Mr Alexander Lebed, the former general who has emerged as the poster pin-up of the nationalist Congress of Russian Communities. Both have potentially appealing messages, but it is not yet clear how effective either one will be as a messenger.

Although Mr Zyuganov leads

New life from a watery grave

The scrapping of obsolete oil production platforms in the North Sea has become a bitter political issue in western Europe. The attempt by Shell UK to dump the obsolete Brent Spar storage installation in the Atlantic ocean earlier this year galvanised European public opinion against disposal at sea and forced the company to back down.

But a consensus between environmentalists, oil companies and federal and state governments in the US allows disused platforms in the Gulf of Mexico to be dumped at sea to create artificial reefs. Far from harming the environment, some experts believe old rigs enhance it by providing a habitat in which fish and other marine life can breed more easily.

Greenpeace, which organised the successful campaign to force Shell to abandon the sinking of the Brent Spar, has not objected to the US "rigs to reefs" programme. However, Greenpeace this week stressed that the absence of an objection "was not the same as supporting it".

Nevertheless, the programme has not fallen foul of the environmental movement in the US, which demonstrated its power by establishing a moratorium on new exploration drilling off much of the Pacific and Atlantic coasts and stiff anti-pollution laws in oil-producing areas such as the Gulf of Mexico. This has given hope to the oil industry that it could persuade European governments to adopt a similar programme for the North Sea.

The creation of artificial reefs to attract fish has been common in the US for decades. Many of the surplus Liberty ships that were mass-produced by American shipyards during the second world war were sunk off Texas. They are now being joined by armoured vehicles made surplus by the end of the cold war.

In 1985 the US Congress decided that the US should have a national artificial reef plan, and that disused oil platforms could be part of it. Since then, 100 platforms belonging

European oil companies would like to follow US practice in dumping old rigs at sea, says Robert Corzine



New home: Shell's Anger platform may one day be a marine habitat

to 36 companies have been used to create such reefs. Most or all of these have been in the Gulf of Mexico, the cradle of the US offshore oil and gas industry. Industrial historians can trace its 50-year development through the thousands of production platforms that stretch from the mudflats of the Mississippi delta to the deep water of the open ocean hundreds of miles from land.

As older and smaller fields reach the end of their productive lives, large numbers of the 3,800 or so remaining platforms on the US outer continental shelf will soon be declared redundant. The US government estimates that over the next five years as many as 150 a year will need to be removed.

For obsolete platforms located in inshore waters, removal is relatively easy and cheap, according to the US oil companies. Giant cranes lift them on to barges for transport

to land where they are cut up as scrap. But the costs of disposal multiply according to the depth of the sea, distance from land and size of structure. A growing number of platforms in deeper waters or further offshore are being used to build artificial reefs in the Gulf of Mexico.

There are eight "planning" areas in the Gulf of Mexico where artificial reefs can be created. No federal money is involved in the programme. Instead, companies "donate" their obsolete platforms to the appropriate state government, such as Texas or Louisiana. They must also hand over half the cost savings made by not having to dispose of the platforms on land. The funds pay for long-term monitoring of the reefs by the states and research into their effects on marine life.

In exchange the government absolves the companies of any

future liabilities. That, says Mr Villare Reggio, an official with the Minerals Management Service, a federal agency which oversees the US offshore oil industry, is "key to the programme's success".

He says that although the programme has been limited in scope so far, initial studies suggest it is working well and it is expected to expand in coming years.

Fish stocks around the reefs have grown steadily, although scientists remain divided as to whether the reefs boost stocks. "The age-old question that must still be answered is whether the reefs just attract fish or actually help produce them," Mr Reggio says.

Local commercial fishermen in the Gulf of Mexico have supported the programme after initial opposition, says Mr Reggio. "But they dropped their opposition when the benefits of the programme became apparent," he says.

One reason why there has been little opposition from environmentalists is that all pollutants and hydrocarbons must be removed from platforms before they can be considered for disposal. Such a requirement would prevent Brent Spar from being used as part of a reef – there is too much oil and sludge left in its tanks and pipes to qualify. But most conventional North Sea platforms could be converted to reefs once stripped of potential pollutants and cleaned.

Despite the enthusiasm of the oil industry for a North Sea "rigs-to-reef" programme, however, there remains strong opposition in Europe to dumping obsolete rigs at sea. Fishing organisations would still like to see most platforms removed entirely.

And Greenpeace this week repeated its call for the complete removal to land of the vast majority of the 400 or so North Sea platforms. Mr Geir Anderson of Greenpeace International says there is no need for such reefs in the North Sea. "We want everything removed as far as technically possible."

SOLID SILVER CUTLERY AT SILVER PLATED PRICES

44 PIECE SET for 6 £1200
60 PIECE SET for 8 £1660
88 PIECE SET for 12 £2400

Why pay good money for silver plated cutlery when for a similar sum you can buy the same set in solid silver? Our award winning hallmarked sterling silver cutlery comes in 20 timeless, elegant designs and we can supply sets of any size.

Send for details today. Freepost the coupon, phone or fax us. Or if you prefer, visit our London showroom or Sheffield manufactory where you can watch us make your cutlery.

United Cutlery of Sheffield
Petre Street, Sheffield S4 8LL. Fax: 0114 243 7128
London showroom: 4 Grosvenor Street W1. Tel: Bond Street

PHONE 0114 243 3984

FREEPOST to: United Cutlery, FREEPOST, Sheffield, S4 7ZZ
(No Stamp Needed). Please send me full details of your Sterling Silver Cutlery.

Name: _____
Address: _____
Postcode: _____

Choose from 20 classic designs

The warning that some brands of the pill could cause deep-vein thrombosis has sparked a furious reaction, says Clive Cookson

Fine line between alarm and caution

When drug regulators receive new evidence about the side-effects of mass-market medicines, they have to tread a delicate balance between warning doctors as quickly as possible and causing damaging alarm and confusion. Yesterday's furious reaction to the alert from the government's Committee on Safety of Medicines about the increased risk of blood clotting from seven popular brands of oral contraceptive, taken by 1.5m women in the UK, shows how hard it is to get the balance right.

The committee, a statutory body composed of independent medical and pharmacological specialists, faced a barrage of outrage from all sides.

Doctors, nurses and family planning staff accused the committee of causing unnecessary panic among users - and risking an epidemic of unwanted pregnancies - by rushing out a warning without consulting professionals in the field.

The said that the increased risk of deep-vein thrombosis (clotting) identified by the committee on the basis of three unpublished studies was not serious enough to justify the action.

The British Medical Association's GPs committee is one of several organisations writing protest letters to Professor Michael Rawlins, the CSM chairman. "We are furious," said Dr Peter Holden, a committee member. "This is not the same as having a batch of contaminated drugs out in circulation, where this kind of handling would be right."

The three manufacturers affected were equally vocal in rejecting the committee's action. Schering of Germany, Akzo Nobel of the Netherlands and American Home Products insisted that their products - "third-generation" combination pills introduced over the past decade - were safer overall than the older brands to which many women were likely to switch in response to the warning.

But the most explosive reaction came from Professor Walter Spitzer of McGill University in Montreal, a Canadian epidemiologist who is in charge of one of the three studies cited by the committee. He flew overnight from a medical conference in Montreal and spent three hours in London yesterday, denouncing the committee and the way it had treated his data, before returning to Canada.

Prof Spitzer's rhetoric extended to an accusation that the government's medical advisers on the committee and Medicines Control Agency, the UK drugs licensing body, had broken the Hippocratic Oath by their action. "The core of the Hippocratic Oath is, above all, do no harm," he said. "Every time you create an epidemic of anxiety you do harm. In my opinion there has been a serious breach of acceptable health protection procedure. The likely result is an unnecessary and harmful 'pill scare'."

More substantively, Prof Spitzer said the hazard on which the committee focused, deep-vein thrombosis, was "a treatable disorder which is not nearly as serious as heart attacks or stroke." There was preliminary evidence, he said, that the new generation of low-dose com-

Contraception: the pill's progress

Worldwide methods

Female sterilisation

Male sterilisation

Intrauterine devices

Oral contraceptive

Condom

Vaginal barrier

Rhythm

Withdrawal

Other methods

Source: UN

Noteworthy dates

1960: US allows first oral contraceptive

1965: pill becomes leading reversible contraceptive in US

1968: lower-dose pills introduced

1973: first progestogen-only pill introduced

1982: first bi-phasic pill introduced

1984: first tri-phasic pill introduced

1988: US authorities recognise non-contraceptive health benefits of pill use including decreased incidence of some cancers and benign breast disease

1992: a US advisory committee says that the benefits of low-dose pills may outweigh the possible risks to women aged 40 and over using the pill

1992: norgestrel, the first new progestogen in 20 years, enters US market

1995: new warning of thrombosis risk

Source: CMO

Oral contraceptive use (women aged 16-49 years)

UK 19%

US 18%

Germany 50%

France 30%

Netherlands 41%

Source: Family Health International

According to Prof Spitzer, the number of extra deaths caused by the third-generation pills in the UK might be about two per year, whereas between five and 10 deaths from heart attacks might be prevented.

But Prof Rawlins, speaking for the committee and Department of Health, strongly refutes Prof Spitzer's accusations. "In no way was our action premature," he says. "There is now clear evidence of an increased risk of thrombosis with these pills and it is right that

pharmaceuticals were also critical of the committee - not for having issued the warning but for its secrecy and lack of information in its statements.

"Without the unpublished data no one can really judge whether or not this action was justified," says Dr Joe Collier, consultant pharmacologist at St George's Hospital Medical School, London, and editor of the *Drug and Therapeutics Bulletin*. "Doctors cannot tell on the evidence presented whether they should be advising patients to switch to other pills. The committee really does not help its case with this level of secrecy."

The seven brands affected are Triadene, Femodene and Femodene ED (made by Schering; Mervelone and Mervelone (Akzo Nobel); and Minulet and Tri-Minulet (AHP). They contain a synthetic progestogen hormone - either desogestrel or gestodene - with an oestrogen hormone.

They represent about half of the UK oral contraceptive market in terms of prescriptions but 70 per cent by value, because as newer products introduced over the past decade they command a considerably higher price than the older brands that are still on the market. For example, as Schering pointed out, a three-month course of Femodene costs £5.70 compared to Microgynon, an older contraceptive which costs £2.85 for three months.

Therefore the industry will lose money - and, as conspiracy theo-

rists were pointing out yesterday, the government will make a saving on the National Health Service drugs bill if large numbers of women switch pills.

But the UK represents only a small part of the world market for oral contraceptives. The pill is much more popular in several other European countries.

So the manufacturers are waiting anxiously to see what view other regulatory authorities in Europe and North America take of the three unpublished studies. Most vulnerable is Schering, the world's largest manufacturer of oral contraceptives; its total contraceptive sales amounted to DM1.41bn (£263m), or 30 per cent of the company's turnover last year.

A key meeting will be held in London at the end of next week when the European Committee for Proprietary Medicinal Products - the EU's equivalent to the committee - reviews the data. Now that Europe is harmonising its drug regulations, the European committee's advice will be very influential.

With the pharmaceutical companies under constant criticism from family planning advocates for the relatively modest effort they have made over the past few years to develop improved contraceptives, it will be said if one of the industry's main innovations turns out to have a safety flaw.

Whatever happens to the third-generation pills, however, everyone involved in drug prescribing hopes that the MCA will prepare the ground better and issue more information next time it puts out a safety warning.

Taking stock with a white elephant

Mark Nicholson and Richard Lapper on India's outmoded paper-based share trading system

In most parts of the world, stockbrokers tend to be identifiable by their briefcases and portable telephones. In India, they are as likely to be carrying jute sacks, mango crates or suitcases bulging with share certificates.

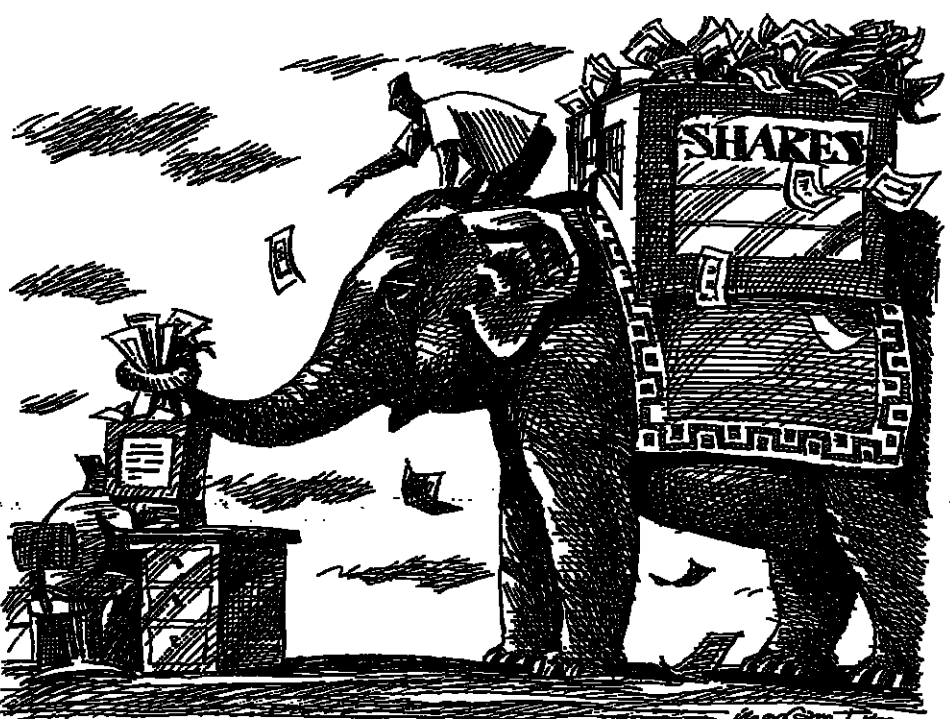
For India's stockmarkets, capitalised at \$135bn (£85.4bn) and listing more than 7,000 companies, still rely on the physical transfer of share certificates for all transactions. Since most shares are issued in small lots and transfers require a deed for each share, brokers totting large bundles of paperwork are a common sight in and around the country's 23 stock exchanges.

"During the monsoon you can see share certificates in puddles of water in some offices. You know you will never see them again," says Mr James Hogan, who manages the Indian share custody operations of HSBC, the US-based banking group. Shares can be damaged so much that they become worthless as proof of ownership - or even completely lost.

One consequence of this paper-based system is that it typically takes up to 25 days to settle transactions - compared to five days or less in the markets of most advanced economies. But the registration of new ownership can take even longer, since all shares and accompanying transfer deeds must be taken to the company registrars. They audit and check each document, and return any where they have queries - for example, over illegible signatures.

The process is labour-intensive and time-consuming - and in 10 per cent of share transactions takes more than six months. Mr Hogan cites a case in which a share certificate has not been registered more than two years after the original deal.

Delays mean that the risk of a share transaction going wrong is high. About a fifth of the transactions on the Bombay Stock Exchange, India's biggest, result in "bad deliveries" - where paperwork is queried by one or other party. The horrors of the outmoded



paper-based system are compounded by the fragmentation of the country's equity market. Millions of small shareholders own roughly half the shares, which allows company owners known as "promoters" - to control their businesses with relatively small share stakes. If they spot an investor building a stake that threatens this, they can exploit opportunities to delay or refuse registration of changes of ownership.

The delays, risk and inefficiencies of India's paper-based share settlement system are widely regarded as the biggest deterrent to the entry of foreign investors into the market. For those which have invested almost \$4bn in India's stock market since it opened to foreigners in 1992, it can be a quagmire, says the head of one of the biggest foreign institutional investors in Bombay. "India is right down at the bottom - maybe through the bottom - of efficiency in share settlements," he says.

The system is "the single most important thing, to address" in the Indian market, says Mr John Moore, head of India of Baring's, the merchant bank recently purchased by International Nederlanden Group, the Dutch bank.

The system is costly for investors who pay higher

per cent of the deal's value. But it is also expensive for the companies issuing shares on the Indian stockmarkets. All this could be about to change. At the end of the month, the Securities and Exchange Board of India, the stockmarket regulator, plans to publish regulations that would pave the way for an electronic settlement system and the eventual disappearance of share certificates.

The most important element is the creation of depositories that would register share ownership on computers, eliminating the need for paper certificates. Transactions would be recorded electronically, in principle making settlement almost instantaneous.

Mr Manmohan Singh, India's finance minister, recently said the introduction of depositories was the most important remaining reform in the four-year-old programme to modernise India's capital markets. Foreign investors say the

reform could unlock billions of dollars of foreign portfolio investment, perhaps immediately doubling inflows which have recently averaged between \$180m and \$200m a month.

It would also reduce costs for companies seeking to issue new capital. And by reducing the ability of companies to manipulate share registers, it could make mergers and takeovers easier. This would allow consolidation in the corporate sector and the threat of takeover could encourage better management and greater efficiency.

"It's a huge step," says the head of one big Indian brokerage. "People have no idea how far it can change the structure of the market."

Some critics argue that the government's reforms do not go far enough and that the reform is not sufficiently radical. Foreign investors say the government's plans to allow more than one depository to do business may create unnecessary confusion.

There are also questions about whether investors and companies will be prepared to switch to the new system - there will be no compulsion on companies to use a depository. But Mr R. Chandrasekaran, managing director of the Stock-Holding Corporation of India, which plans to open a depository next year, believes most will. The lower costs of issuing shares and registering them will make the new system attractive, he says.

Mr Pradip Kar, executive director at the Securities and Exchange Board of India, agrees. "Market forces will drive companies towards the use of depositories," he says.

"By the end of next year a significant amount of institutional trading in specific stocks has a good chance of being scrippless," says a Bombay-based stockbroker.

Indian retail investors may still choose to keep their precious shares under their mattresses for some time to come. But India's financial institutions, at least, will be able to reserve their mango boxes for more conventional uses.

Critics have given it mixed reviews. Literary purists loathe it. But after only four episodes, the BBC's adaptation of *Pride and Prejudice* has attracted a weekly audience of 11m and Jane Austen's 182-year-old novel is climbing the bestseller lists.

Penguin has sold 80,000 copies of the novel since the series started and has sold out of the "behind the scenes" book on the making of the series it produced with the BBC. Everyman has almost sold out of its £9.99 hardback edition and Wordsworth, the cut-price classic publisher, has sold 10,000 of its 99p paperback in the past month.

The *Pride and Prejudice* revival follows a surge in sales of George Eliot's *Middlemarch* after the BBC series two years ago. Publishers are now hoping for a similar reaction to the forthcoming film and television versions of other classics including Thomas Hardy's *Jude the Obscure*, Henry James's *Portrait of a Lady*, George Eliot's *Daniel Deronda*, Joseph Conrad's *Notre-Dame de Paris* and two more Jane Austens, *Emma* and *Sense and Sensibility*.

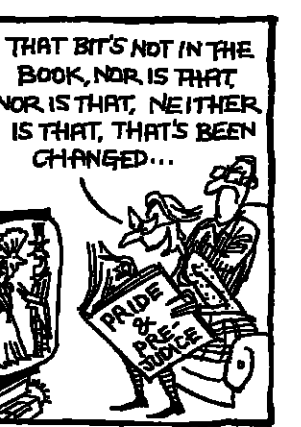
"Sometimes a TV series reminds people how good a classic is and sometimes it persuades them that they aren't as inaccessible as they thought," says Mr Tony Lacey, publishing director of Penguin, part of Pearson, owner of the Financial Times. "It's great for us. *Middlemarch* was brilliant. And it's anyone's guess where *Pride and Prejudice* will end up."

Pride and Prejudice could not have been better timed for the UK book trade. A number of large publishers, including Penguin and HarperCollins, announced job losses this summer after months of lacklustre sales and steep increases in both authors' advances and paper prices.

The industry has since been flung into chaos by last month's collapse of the net book agreement, the 95-year-old pact that prevented retailers from discounting the prices of new books. The agreement had been unravelling for some time, but its final demise was so sudden that publishers have been propelled into a new era of haggling over prices.

Classic tales of revival

TV tie-ins are a boost for the book trade, says Alice Rawsthorn



Publishers badly needed a success this autumn. Prices of classics have been under pressure since the launch of Wordsworth in 1987. Established publishers, such as Penguin and Oxford University Press, have since cut the prices of their popular titles.

But classics are cheap to produce as they are out of copyright, which means anyone can publish them without paying royalties to the author's estate. If a classic sells for £2.99, the publisher takes £1.49, leaving the publisher with a £1.50 profit after spending 80p on production.

Film and television series have long provided a lifeline for sales. Penguin reprinted Emily Brontë's *Wuthering Heights* with a cover picture of the actor, Laurence Olivier, as Heathcliff, after the success of MGM's 1939 film version. Since the early 1970s the BBC and ITV have sold the exclusive rights to "tie-ins", whereby publishers pay a fee

or royalty to put a still from the series on the cover. The most successful was Penguin's "tie-in" for Granada's 1981 adaptation of Evelyn Waugh's *Brideshead Revisited*, which sold 420,000 copies in the UK.

Sales of standard editions also benefit from films or television series. Publishers that miss out on "tie-ins" often produce "cod covers", special editions with photographs of appropriate period images, such as flickering candles or a country house.

The recent classics revival was triggered by the success in 1993 of Martin Scorsese's film of Edith Wharton's *The Age of Innocence*, which was quickly followed by the BBC's *Middlemarch*.

Penguin sold 61,000 copies of *The Age of Innocence* in three months after the film came out in the UK, having sold just 2,000 the year before. It now publishes nine Wharton novels, compared with three before.

The OUP doubled sales of *Middlemarch* during the year of the series. Penguin sold 80,000 copies of its "tie-in" and 40,000 of the standard paperback in six months, against sales of 30,000 in the previous year.

Subsequent BBC dramas, Edith Wharton's *The Buccaneers* and Charles Dickens' *Martin Chuzzlewit*, were modest successes. But *Pride and Prejudice* now seems set to outsell *Middlemarch*. "It's got everything," said Mr Clive Baynard, chief editor of Wordsworth. "Boy meets girl. Boy loses girl. Boy gets girl."

Publishers expect *Emma* and *Sense and Sensibility* to be as popular. Random House, Everyman's US distributor, has already increased its order of *Sense and Sensibility* from 5,000 to 30,000 in preparation for this winter's release of the film starring Emma Thompson and Hugh Grant.

"It's a lively read like *Pride and Prejudice*," says Mr Lacey. "And *Portrait of a Lady* could have the same effect on Henry James as *The Age of Innocence* on Wharton. But I wonder about *Notre-Dame* [next autumn's BBC classic]. It's a wonderful book, but rather dark and difficult for a bestseller."

High German tax rate not incentive to take risk

From Professor Ira Sohn.
Sir, Chancellor Helmut Kohl's call to Germans to become risk takers by founding new companies in order to overcome the country's unemployment crisis ("Kohl calls on Germans to become risk takers", October 17), might be an appropriate option if the risk-return trade-off could be improved.

As it stands, the corporate tax rate in Germany, at 45 per cent, is the highest among the

leading industrialised countries and incomes above \$85,000 a year of single people are taxed at a punishing rate of 56 per cent.

With the resulting after-tax income, what rational young person would be willing to assume the risk of an entrepreneur?

Ira Sohn, professor of finance, Montclair State University, Upper Montclair, New Jersey 07043, US

Providing pensions for all

From Mr Nigel Wilkins.
Sir, It is difficult to escape the conclusion that the only way a decent standard of living can be maintained into old age for all in the UK is through compulsory pension contributions along the lines proposed by Frank Field MP.

The problem is how to overcome the existing limitations of private pension arrangements, particularly the prohibitive cost of providing the low-paid with personal pensions.

Perhaps one method would be through introduction of a pension scheme through National Savings, offering a guaranteed index-linked return. This would also help restore confidence in personal pensions by providing a benchmark against which returns from private sector pension schemes could be judged.

Nigel Wilkins, 8 Petersham House, Harrington Road, London SW7 3HD, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

Discipline that stabilises exchange rates

From Mr Z.H. Schloss.
Sir, In their letter (October 16), Professor Steve Hanke and Sir Alan Walters seem to envisage only one kind of regime capable of producing stable exchange rates, namely currency boards. (Under the other regime which produces a similar effect, the use of a foreign currency as legal tender, there is no exchange rate.) The drawback of a currency board regime is that it allows no

autonomous change at all in a country's monetary base and hence no independence whatever in monetary policy.

There have, however, been long periods of stable exchange rates between countries with monetary systems that allowed for a considerable degree of autonomous change in their monetary bases.

These periods of exchange rate stability occurred when the currencies concerned were

subject to the discipline of convertibility. This restrains the growth of credit, and therefore of money, by keeping alive the threat of it having to be repaid in a medium the availability of which cannot be increased without considerable cost.

The price of this combination of stable exchange rates with a fair degree of monetary independence is the risk of occasional financial crises, which seem to be necessary to

keep the discipline of convertibility effective.

Floating or unified regimes are by no means free from the threat of crisis either, though in their case it will find expression in a large fall in the exchange rate or severe monetary contraction respectively.

Z.H. Schloss, 49 Dorset Drive, Edgware, Middlesex HA8 7NT, UK

Harmful effects of Emu both before and after transition

From Mr Anthony Norman.
Sir, Mr James Forman-Peck (Letters, October 17) does not go far enough in his analysis. The harmful impact of European Monetary Union will be felt not just after but, more severely, before the proposed transition.

The use of a specific target

date, combined with budgetary convergence criteria beyond most countries' reach, are likely to exert a progressively unstable force on main economic variables prior to Emu completion. French woes are just the beginning of a deflationary, beggar-thy-neighbour, speculators' paradise.

Paradoxically, the ensuing chaos will only illustrate the impossibility of uniting structurally diverse economies via a pre-announced timetable.

Perhaps the only feasible transition method would be an overnight, unsuspected fall in the pound, at least this would only produce the harmful

effects of Emu after its imposition. However, I am sure the undemocratic nature of such a move would never appeal to our friends in Brussels.

Anthony Norman, *Cavendish Equity*, 82 Great Eastern Street, London EC2A 3JL, UK

Concerns over benefits of private finance initiative

From Ms Janet Salmon.
Sir, I note in your editorial "PFI in focus" (October 16) that you believe the principles underpinning the private finance initiative are sound, and could bring "significant benefits to both taxpayers and consumers if applied sensibly".

Allow me to disagree. Local communities in the UK are concerned that the use of private finance for the redevelopment of hospital sites will not "simply extend contracting out the design, management and financing of public sector investment projects".

The public, local community and taxpayers, and the Community Health Councils do not know the ramifications of PFI on the provision of medical services, as they are not allowed to assess the bids, and the final decision will be taken by the chief executives and boards of the trusts.

If a private company owns the hospital buildings it may influence the provision of services, for example increasing the percentage of private beds versus National Health Service

beds, looking for profit rather than meeting the priorities and needs of the local community.

The hospitals and their land are public assets, built and maintained by taxpayers, past and present. If the land is sold or the buildings redeveloped, the public should be formally consulted, prior to any bid being accepted, and the impact on services should be spelt out.

"Value for money" is subjective - but if smaller buildings are being proposed, as at The West Middlesex Hospital, in west London, so they can be turned into offices at a later stage, I would suggest the medical needs of the taxpayers and consumers are not paramount.

PFI is a complex issue that could have long-term ramifications for the National Health Service and each of the 24 hospital proposals needs to be evaluated carefully, particularly in these changing political times.

Janet Salmon, 43 Montague Road, Richmond, Surrey TW10 6QJ, UK

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

هكذا من الأصيل

Weekend FT

In-flight catering is an \$8bn industry which has become a nightmare for the modern airline. Farrol Kahn reports

Throw a chicken in the air...

Just about everyone who has flown will have tasted that notorious culinary speciality of airline cuisine: the rubber chicken. Frequent fliers will also have been told - no doubt by an apologetic flight attendant - that the in-flight kitchen has run out of their choice of meal, but not to worry since "all the food tastes the same".

Serving more than 700m meals a year in the air has become an \$8bn (\$5.1bn) nightmare for the airline industry. As for passengers, food has traditionally been high on their list of complaints.

"Don't expect great dishes in the air," admits Kurt Hafner, head of catering standards at British Airways. BA, which has an annual catering budget of \$365m, has invested heavily in improvements by experimenting with new cooking techniques, devising special dishes and turning to famous chefs for help. But the poetry of its cuisine has invariably been lost in the translation from ground to air.

To serve good food at 30,000ft, in a metal tube travelling at more than 600mph, is a challenge for even the greatest chef. For a start, food has to be prepared and cooked on the ground before being stored, loaded on to trucks, transported to the airport and hurried into space.

Quirky cabin conditions can play tricks on the food. Fried eggs turn green at the edges, dehydration is a problem and using the best ingredients is no guarantee of getting the best results. "What is expensive is not necessarily good and what is good is not necessarily expensive," says Alain Van Kote, Air France's catering chief.

The lack of kitchen equipment on board an aircraft is a great leveller in airline catering. It results in most airlines producing a similar cuisine.

The principal and almost only culinary device in an aircraft kitchen is a convection oven. Microwaves are not used because they interfere with aircraft communications systems. The other distinctive feature of aircraft kitchens is the proliferation of non-aesthetic plastic to meet weight restrictions and the standardisation of the shape and sizes of eating utensils and tableware for easy handling and storage.

As for cabin staff, whose primary function is to ensure the safety of passengers in an emergency, they have been allocated the secondary duty of catering. In practice, they spend half or more of their training time on preparing and serving food.

Although they are not professional catering staff, they have to perform the dual tasks of cooking and serving within a restricted space. While in the galley, they are also exposed to interruptions from passengers which can lead to meals being overcooked and spoilt.

The final burden the airline caterer has to bear is the customer. They do not come to aircraft restaurants by choice but by default. Once the doors are locked, for periods of up to 14 hours, the cabin staff has no access to a rescue kitchen for supplies. Neither can the restaurant deal effectively with a customer's complaint by tearing up the bill. I once heard a fellow passenger grumbling to a flight attendant for half an hour about an unwipe mango.

To make matters worse, a passenger's sensation of taste is impaired by the cabin atmosphere which dehydrates the mucous membranes in the nose and blunts the sense of smell. As our response to food is dependent on the convergence of gustatory, olfactory and visual information, the distortion of two of these elements alters our enjoyment of a meal. This was a cause of great consternation at All Nip-

pon Airways (ANA) when the Japanese carrier first started its international flights a few years ago and had complaints about its food. The chef's honour was redeemed when they realised that the cabin environment was at fault.

The lower cabin pressure that results in mild lack of oxygen also changes our response to food. This in turn has a sluggish effect on our digestion and absorption of nutrients. The fact that we cannot take a post-prandial stroll tends to exaggerate the situation. John Peet, chairman of Vodafone and a frequent flier, is aware of this and tends to eat just half the amount offered on an à la carte menu. Even with the best

intention of eating and drinking moderately, the psychological influences of flying, such as stress, boredom, aerophobia and emotional extremes, compel passengers to eat in spite of the lack of appetite.

Passengers seldom pick an airline because of its food. In a survey by Swissair that ranked the reasons passengers chose to fly with a particular airline, food came seventh, only higher than in-flight entertainment. Schedules, punctuality, safety, price, flight attendants and seating were given priority. However, as Cathay Pacific, the Hong Kong airline, discovered, food helps to build customer loyalty, especially on long flights. If passengers are

not fed properly they will not fly with that airline again.

It is not just the food that matters, it is also the ambience in which it is served. As Futoshi Goto, of ANA's catering department, explains: "Some 70 per cent of passenger satisfaction with the food is dependent on cabin service and 30 per cent on the chefs." The right cabin ambience also increases a passenger's enjoyment of a meal. Lufthansa discovered that if six people were seated abreast in Business Class there was bound to be a complaint about the food. Not so when the middle seats were empty. Cramped conditions in Economy could also account for the greater consumption of hard

liquor in the back of the aircraft.

To meet the challenge of airline cuisine, airlines have to spend an average of 5 per cent of their turnover and, according to Professor Rigas Doganis, of the Cranfield Institute, "they have to get the balance right between reducing costs and improving their product". As part of cost-cutting strategies during the recession, many carriers chose outside caterers. This has led to the creation of big specialised catering companies such as LSG Lufthansa Service Sky Chefs, the largest, producing 250m meals a year, and Gate

Gourmet, the second biggest with 92m meals. British Airways, which still caters in-house, could easily fit into one of the top five slots with 44m meals a year.

With passengers demanding better quality airline food, airlines are under pressure to increase or at least maintain their food budgets. Lufthansa, for example, is cutting costs elsewhere - not on food. Martin Brandenbusch, the German airline's catering chief, explains this can be achieved by trimming back handling, equipment and engineering costs.

He says the breakdown of the cost of a typical DM100 Business Class meal on the New York to Frankfurt route comprises food and beverage, 68 per cent; handling 22 per cent; equipment 9 per cent; and engineering 1 per cent.

Regular passengers would not forgive an airline for skimping on food. Brandenbusch says that passengers on Lufthansa's in-bound flights from South America, for example, expect to find German specialities including German rye

Continued on Page 11



CONTENTS



Travels Three-page safari special - what to see and where to stay VIII-X

Fashions Designers who want to keep jeans on the march VI

Books JDF Jones on a new biography of Ian Fleming XII-XIII

Lunch with the FT Lucy Kellaway on satirist Richard Ingrams III



Food and Drink Call in on your local chicken chopper IV-V

Perspectives In search of Poland's treasures XX

Weekend Investors Two pages of personal finance XXX-XXXI

Arts Arts guide XXIV-XXV
Books Books XXVI-XXVII
Bridges, Chess, Crossword XXVIII
Fashion Fashion XXIX
Food & Drink Food & Drink XXX
Gardening Gardening XXXI
How To Spend It XXXII
Motoring Motoring XXXIII
Perspectives Perspectives XXXIV
Property Property XXXV
Science Science XXXVI
Small Businesses Small Businesses XXXVII
Sport Sport XXXVIII
Travel Travel XXXIX



Joe Rogaly

An awful wedded life

The case for privatising the marriage contract

The next thing to be privatised should be divorce. Governments are not elected to arrange nuptial liaisons, much less to untangle them. What is called "family policy" is too important for politicians to ignore. It is a purely private matter. The rules of cohabitation vary, for they are derived from freely-concluded and messily-discontinued arrangements between individuals. Public administrations that cannot run airlines or telephone systems are certainly not qualified to settle quarrels between men and women.

This is not to say that I am against marriage: after three and-a-bit decades of it I find it extremely congenial. Nor do I deride the nuclear family, the one that keeps parents with their offspring. Along with Tony Blair, John Major, Newt Gingrich, and just about every sensible democratic politician I am convinced that children thrive best when brought up by two natural parents, one of each gender, bound to one another at a minimum by bonds of loyalty and at best by a signed contract.

Contract? Surely that brings the government into the picture. Yes it does, but impartially. There need be no interference in the law affecting marriage from that pertaining to any other form of contract. The case for making

wedlock special rests on the assumption that it is the task of elected authorities to strengthen family ties. It is not. The family will prosper if the church does. Failing that, we must rely on tradition, innate human good sense, cultural norms, individual values, the underlying belief of potential mothers and fathers that they will be better parents if they take out a contract to stick together.

Britain's Conservative ministers are troubled by this argument. This is not surprising. The Tories are in at least two minds about the family. Some want the state to reinforce matrimony; others accept that that is not logical for proponents of minimalist government. We know what happens when ministries in deep trouble are divided. They concoct compromises. That is what Lord Mackay has done with his proposed bill to reform the law of divorce. The Lord Chancellor is offering a little bit of privatisation, plus a compensating dollop of nationalisation.

In a White Paper published earlier this year he proposed the ending of "quickie" separations, currently possible where one partner accuses the other of unreasonable behaviour or adultery. Under the new system break-ups would not require such accusations. So far, so non-interventionist.

Lord Mackay has, however, also suggested that there be a period of reflection, of one year, during which the couple might seek guidance and mediation. Pre-divorce "information sessions", which would be government-funded, would be undertaken by family court welfare officers and local mediation services.

We chatters have therefore have it both ways. Some of us

It would be comforting to place our faith in something. The family would do nicely

may argue that the Mackay bill would increase the number of divorces in Britain, which already has the highest split-up rate in Europe. Others, led by the Lord Chancellor himself, will calculate that the mediation service and the one-year wait might lead some couples to cool down and stay together. Both sides are right, and both are wrong. Lord Mackay of Forked Tongue has spoken.

The squabble over this impending legislation is a minor manifestation of the general sense of anxiety that

can be felt on both sides of the Atlantic. "Family values" are propounded by politicians and think-tank experts who recognise that there are no other saleable ethical systems left. I am with them. Socialism is dead. The Judeo-Christian tradition is not the overwhelming force in determining our behaviour that it is popularly supposed to have been in the past. It would be comforting to place our faith in something, just for a while. The family would do nicely.

The difficulty is that it is an illusion. You could argue that the British should follow the Germans, and tailor both the law and the tax and benefits system to the principle of maintaining the family. Forget it. No British government would ever apply such a policy consistently enough for long enough to make a significant difference. The Americans have supported the family slogans pumped into their ears day and night and they, with their pluralistic democracy, cannot manage it.

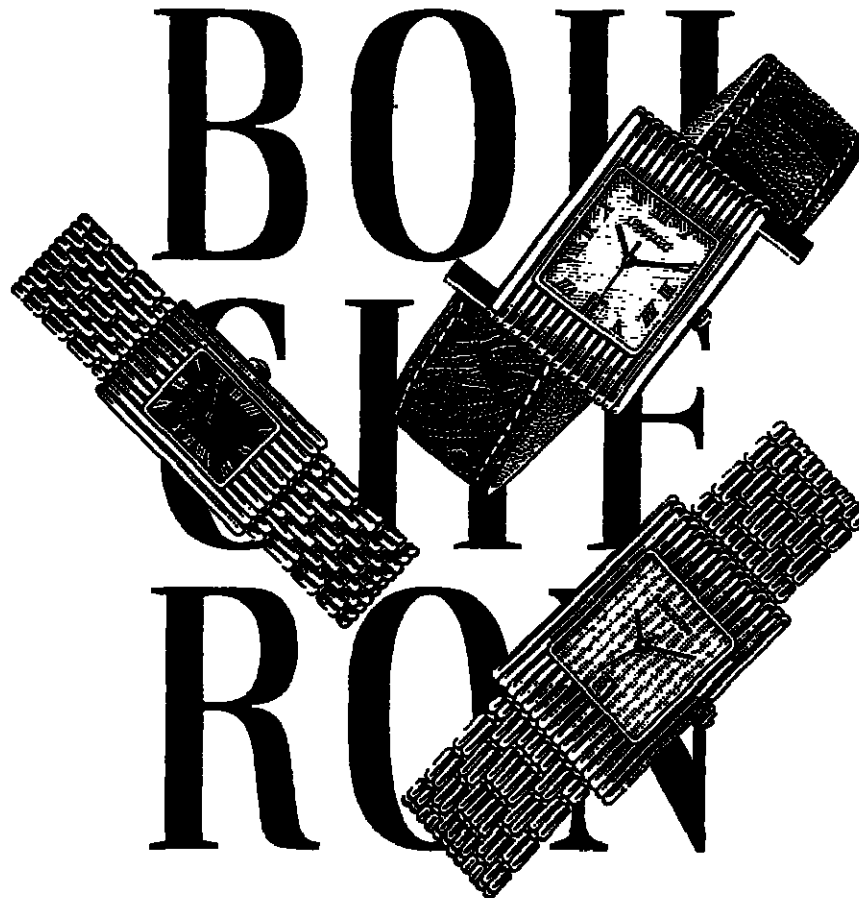
Fortunately, governments are not able to create new cultures. Francis Fukuyama, who has been in London this week, gives us the evidence for my assertion in his new book on trust, entitled *The Social Virtues and the Creation of Prosperity*. He said in a speech on Wednesday that the Chinese, who place family ties above all

else, tend to create family-run businesses, while the Japanese, who trust their business companions and reverse their nation, have built up giant multinational corporations. Governments may take note of what Mr Fukuyama observes, but that is the end of the matter. Beijing could not impose Tokyo values on its population, even if it wanted to.

This is why I am indifferent to the fate of Lord Mackay's bill, which might as well be subject to a free vote in the House of Commons. Nor is there any fiscal solution on the horizon. The British budget to be presented by Kenneth Clarke next month may or may not seek to turn the balance of tax advantage towards married couples with children, but who cares?

Any government that sought to turn the clock back would impose pro-family legislation, and family-supporting taxation and benefit structures. This package would be accompanied by measures to clear women out of the labour market. It would be topped up by the provision of properly-paid jobs to enable ill-educated young bucks to support themselves, wives and children. The state would have rolled back over us with a vengeance. What a horror story! It would be better to keep fiscally neutral, and privatise the marriage contract.

Watches in steel, steel and gold, and gold, three size, water resistant, interchangeable bracelet.



JEWELLER SINCE 1858

BOUCHERON
PARIS

180, New Bond Street - London W1Y9PD - Tel.: 071 493 0983

PERSPECTIVES

In an anonymous unit on a tiny rural industrial estate in Kent, Martin Dockett constantly monitors the blast freezer that contains the ice creams and sorbets he makes.

He is determined that nothing should go wrong. Yet if anything does go wrong with his blast freezer, Dockett may not be the first to know - he is more likely to get a telephone call from the Netherlands alerting him to the first sign of trouble.

For Dockett's freezer is linked by computer modem to an early warning system in Roermond, allowing Dutch experts to advise him to carry out checks or, in an emergency, call out a UK-based service engineer.

So far the freezer, which Dockett bought from a company which had gone into receivership, has worked smoothly at temperatures as low as minus 40°C. It is one of the safeguards Dockett has built into his gleaming white and stainless steel kitchen.

After 20 years building up his reputation as a patisserie chef, Dockett, 38, is now working 16 hours a day, seven days a week, to establish his first solo venture in the catering business.

He and his wife Jennifer, who trained in hotel management, have invested everything in making La Glacierie a success - selling their house and moving with their two young daughters to live with Jennifer's mother to raise capital.

Since he was a teenager, Dockett has never wavered in his love of cooking but ambition and a need for new challenges led him on a varied course to becoming his own boss.

First stop was catering college in Thanet, Kent. Then he worked in London hotels, with a seven-year spell lecturing in professional cookery at Westminster College. In 1987, he was invited to join the Académie Culinaire de France.

Two years ago, he was working at the Connaught Hotel in Mayfair. "It was a lovely place to work and the food was excellent but you knew exactly what you were going to be doing day in day out."

"I felt hemmed in, with no room for growth. I had this dream of getting out and being my own boss. When you are at college, your ultimate goal is always to be head chef somewhere. But because I had chosen to specialise in patisserie I was always going to be one rung down."

"I thought about opening a patisserie unit which could deserts, pastries and chocolates. I went to four banks offering our house in Chislehurst, Kent, as collateral, but they weren't interested. They said it may be worth £200,000, but, to them, it was only worth about £20,000. So I was unable to raise enough capital to start on my own."

Instead, Dockett moved to a company which produced ice creams, sorbets and patisserie, as head chef in charge of 65 chefs.

"I was in my element. The company was turning over £2.2m in sales. However, it soon became clear it was in financial difficulties. I cut the staff down to 38, but within a year it was in the hands of the receivers and we were all made redundant."

"I went home to Jenny and said: 'It's now or never.' We put our house on the market at the end of August 1994 and sold it three days later."

The Midland Bank agreed to match the amount raised from the sale and money put in by relatives, giving Dockett £200,000 capital to work with.

In March this year, he signed the lease on a 3,000 sq ft "empty shell" in a small yard of units in Cranbrook, Kent. The annual rent is £15,000, with an office across the yard costing a further £2,500 a year.

He was able to design the layout of the unit to his own specifications, working with the local environmental health officer to ensure it met all the required standards.

Dockett said: "I think there are a lot of people who don't want to listen to what the environmental health people are saying and complain about the regulations being too restrictive. But if you produce something which poisons someone then you lose your business, so the safeguards are for you as well as the customer."

Their efforts meant Forte, the UK's largest food group, approved them as suppliers within weeks of production starting, he added.

One of the biggest single expenses was a £28,000 refrigerator van which prints out a record of the temperature in the back to confirm to customers that the frozen desserts and ice creams have been delivered in proper conditions.

So far he has taken on one member of staff, Andrew Niznik, 26, with whom Dockett had worked previously. Niznik stays with the Docketts during the week, regularly setting out at about 5.30am to deliver orders to London. Niznik is also responsible for quality assurance, sending off weekly samples of the products for analysis.

The business plan for La Glacierie, drawn up with the help of Dockett's chartered accountant brother-in-law Christopher Stent, predicts a £20,000-plus loss to February 1996 with a turnover of about £145,000. It then forecasts turnover of £227,000 with a net profit of £15,000 for the year to February 1997, increasing to £275,000 turnover and nearly £35,000 profit over the following 12 months.



Really cool: Martin Dockett with his range of sorbet and ice-cream specialties

Minding Your Own Business / Grania Langdon-Down

A chef's frozen assets

sen to specialise in patisserie I was always going to be one rung down."

"I thought about opening a patisserie unit which could deserts, pastries and chocolates. I went to four banks offering our house in Chislehurst, Kent, as collateral, but they weren't interested. They said it may be worth £200,000, but, to them, it was only worth about £20,000. So I was unable to raise enough capital to start on my own."

Instead, Dockett moved to a company which produced ice creams, sorbets and patisserie,

as head chef in charge of 65 chefs.

"I was in my element. The company was turning over £2.2m in sales. However, it soon became clear it was in financial difficulties. I cut the staff down to 38, but within a year it was in the hands of the receivers and we were all made redundant."

"I went home to Jenny and said: 'It's now or never.' We put our house on the market at the end of August 1994 and sold it three days later."

The Midland Bank agreed to match the amount raised from the sale and money put in by

relatives, giving Dockett £200,000 capital to work with.

In March this year, he signed the lease on a 3,000 sq ft "empty shell" in a small yard of units in Cranbrook, Kent. The annual rent is £15,000, with an office across the yard costing a further £2,500 a year.

He was able to design the layout of the unit to his own specifications, working with the local environmental health officer to ensure it met all the required standards.

Dockett said: "I think there are a lot of people who don't want to listen to what the environmental health people are

saying and complain about the regulations being too restrictive. But if you produce something which poisons someone then you lose your business, so the safeguards are for you as well as the customer."

Their efforts meant Forte, the UK's largest food group, approved them as suppliers within weeks of production starting, he added.

One of the biggest single expenses was a £28,000 refrigerator van which prints out a record of the temperature in the back to confirm to customers that the frozen desserts and ice creams have been delivered in proper conditions.

So far he has taken on one member of staff, Andrew Niznik, 26, with whom Dockett had worked previously. Niznik stays with the Docketts during the week, regularly setting out at about 5.30am to deliver orders to London. Niznik is also responsible for quality assurance, sending off weekly samples of the products for analysis.

The business plan for La Glacierie, drawn up with the help of Dockett's chartered accountant brother-in-law Christopher Stent, predicts a £20,000-plus loss to February 1996 with a turnover of about £145,000. It then forecasts turnover of £227,000 with a net profit of £15,000 for the year to February 1997, increasing to £275,000 turnover and nearly £35,000 profit over the following 12 months.

Dockett produces the ice creams and desserts single-handedly. Turnover in the first few months has been about

£5,000 but the aim is for £24,000 a month in the run-up to Christmas. Achieving that level of monthly sales means sending out about 500 desserts and 100 litres of ice cream a day. "I can manage that on my own. Once the money starts coming in, then we can think about employing some more chefs," he said.

With such prestigious clients as the Park Lane Hotel, the Café Royal and Mosimann's, Dockett's main aim is to supply top London hotels and exclusive outlets: "I am not interested in mass production," he said. He is also pitching for contracts with airlines' first-class services.

"Over the last five years, the hotel trade, like everything else, hit a low point and the first people to be cut back were the pastry chefs. So the goods have to be bought in."

He is convinced it was right to risk everything and go it alone. "Everybody dreams about running their own business but a lot of people just stand on the edge of the pond. My advice is jump in - you end up coping because you have to and often it is not as difficult as you imagined."

La Glacierie, Unit 7, Courtyard Farm, Turnford Lane, Cranbrook, Kent TN17 2QL. Tel: 01580-715882. Fax: 01580-715883.

The Nature of Things
From bark to super aspirin

Five thousand years ago our ancestors started to use a bitter extract from willow bark to reduce inflammation. Around 400BC Hippocrates relieved the pain of childbirth with a brew of willow leaves. And in 1763 the Rev Edward Stone reported to the Royal Society of London that willow extract had brought down a high fever in 50 patients.

One hundred years ago the foul-tasting bark extract was transformed by the young German chemists industry into pure white tablets of acetylsalicylic acid - launched by Bayer in 1899 as aspirin. Aspirin was an instant commercial success, and it is still manufactured in larger quantities - 300m doses a day - than any other pharmaceutical. Yet scientists are only now discovering exactly how it makes aches and pains, arthritis and rheumatism more bearable.

Their research should lead to an improvement in the large pharmaceutical category known as NSAIDs (non-steroidal anti-inflammatory drugs), which combine mild pain relief with a reduction in inflammation. They include aspirin, ibuprofen and two dozen others with names such as naproxen, diclofenac and indomethacin, which may be familiar to readers with chronic arthritis.

All of these drugs cause similar side effects, notably on the gastro-intestinal system. Regular consumption increases the risk of peptic ulcers and bleeding in the stomach. According to a recent estimate, NSAIDs cause 30 per cent of the 4,000 deaths a year from peptic ulcers in the UK.

John Vane, the British pharmacologist and Nobel Laureate, took the first step in 1971 when he proposed that aspirin and other NSAIDs work by inhibiting production of prostaglandins - locally acting hormones which have a variety of effects, including making nerve endings more sensitive to painful stimuli.

Further research in the 1970s and 1980s confirmed Vane's view and showed that the key step in the process was the blocking of an enzyme called cyclo-oxygenase, or Cox, which helps to convert fatty acids into prostaglandins. Scientists believed then that both the therapeutic benefits and the unwanted side effects were caused by inhibition of the Cox enzyme.

But in the 1990s, research at laboratories including the William Harvey Institute which Vane runs at St Bartholomew's Hospital, London, has revealed that Cox is two distinct enzymes with similar structures.

NSAIDs do their good work by blocking Cox-2 and their harm by blocking Cox-1. Cox-1 is a "housekeeping enzyme" normally present throughout the body, with a range of protective functions in the stomach, kidneys and elsewhere. Cox-2 is an "inducible enzyme" produced when tissues are stimulated by disease, accident or stress.

They are just different enough to open up the possibility of developing drugs which inhibit Cox-2 without affecting Cox-1. The latest evidence, presented at a scientific conference in London this month, shows that Cox-2 has a larger tunnel-like space running through the molecule than Cox-1.

Drug companies are racing to exploit the opportunity to develop selective NSAIDs which would have a potent analgesic and anti-inflammatory effect without harming the stomach and kidneys. They would bring commercial rejuvenation to a rather tired sector of the pharmaceutical market which is full of old low-margin products.

The first purpose-designed drugs of this sort are just beginning clinical trials - for example, Merck of the US has one code-named L-745,337. If all goes well, they may receive approval as prescription medicines soon after 2000.

However, an NSAid called meloxicam, developed by Boehringer Ingelheim of Germany, turns out by chance to be a more selective inhibitor of Cox-2 than anything now on the market. Meloxicam recently received marketing approval in France and the company expects it to be licensed within a few months in other European countries on the strength of clinical trials with 5,000 patients. It seems to have fewer side effects than existing drugs but is unlikely to be as selective as the specially designed super-NSAIDs.

None of these drugs is likely to threaten the popularity of aspirin in the near future. For one thing, the regulatory authorities will want to see several years of evidence that they work safely as prescription medicines before they permit them to be sold over the counter.

And they cannot offer another of aspirin's benefits - the fact that, taken in very low doses over a long period, it reduces the risk of a heart attack. Small quantities of aspirin (a quarter of the amount needed to relieve pain) reduce the tendency of blood platelets to clot together. Even if aspirin becomes redundant as a pain-killer, its effect on the heart should maintain its popularity well into the next century.

harm by blocking Cox-1. Cox-1 is a "housekeeping enzyme" normally present throughout the body, with a range of protective functions in the stomach, kidneys and elsewhere. Cox-2 is an "inducible enzyme" produced when tissues are stimulated by disease, accident or stress.

They are just different enough to open up the possibility of developing drugs which inhibit Cox-2 without affecting Cox-1. The latest evidence, presented at a scientific conference in London this month, shows that Cox-2 has a larger tunnel-like space running through the molecule than Cox-1.

Drug companies are racing to exploit the opportunity to develop selective NSAIDs which would have a potent analgesic and anti-inflammatory effect without harming the stomach and kidneys. They would bring commercial rejuvenation to a rather tired sector of the pharmaceutical market which is full of old low-margin products.

The first purpose-designed drugs of this sort are just beginning clinical trials - for example, Merck of the US has one code-named L-745,337. If all goes well, they may receive approval as prescription medicines soon after 2000.

However, an NSAid called meloxicam, developed by Boehringer Ingelheim of Germany, turns out by chance to be a more selective inhibitor of Cox-2 than anything now on the market. Meloxicam recently received marketing approval in France and the company expects it to be licensed within a few months in other European countries on the strength of clinical trials with 5,000 patients. It seems to have fewer side effects than existing drugs but is unlikely to be as selective as the specially designed super-NSAIDs.

None of these drugs is likely to threaten the popularity of aspirin in the near future. For one thing, the regulatory authorities will want to see several years of evidence that they work safely as prescription medicines before they permit them to be sold over the counter.

And they cannot offer another of aspirin's benefits - the fact that, taken in very low doses over a long period, it reduces the risk of a heart attack. Small quantities of aspirin (a quarter of the amount needed to relieve pain) reduce the tendency of blood platelets to clot together. Even if aspirin becomes redundant as a pain-killer, its effect on the heart should maintain its popularity well into the next century.

NSAIDs do their good work by blocking Cox-2 and their harm by blocking Cox-1. Cox-1 is a "housekeeping enzyme" normally present throughout the body, with a range of protective functions in the stomach, kidneys and elsewhere. Cox-2 is an "inducible enzyme" produced when tissues are stimulated by disease, accident or stress.

They are just different enough to open up the possibility of developing drugs which inhibit Cox-2 without affecting Cox-1. The latest evidence, presented at a scientific conference in London this month, shows that Cox-2 has a larger tunnel-like space running through the molecule than Cox-1.

Drug companies are racing to exploit the opportunity to develop selective NSAIDs which would have a potent analgesic and anti-inflammatory effect without harming the stomach and kidneys. They would bring commercial rejuvenation to a rather tired sector of the pharmaceutical market which is full of old low-margin products.

The first purpose-designed drugs of this sort are just beginning clinical trials - for example, Merck of the US has one code-named L-745,337. If all goes well, they may receive approval as prescription medicines soon after 2000.

However, an NSAid called meloxicam, developed by Boehringer Ingelheim of Germany, turns out by chance to be a more selective inhibitor of Cox-2 than anything now on the market. Meloxicam recently received marketing approval in France and the company expects it to be licensed within a few months in other European countries on the strength of clinical trials with 5,000 patients. It seems to have fewer side effects than existing drugs but is unlikely to be as selective as the specially designed super-NSAIDs.

None of these drugs is likely to threaten the popularity of aspirin in the near future. For one thing, the regulatory authorities will want to see several years of evidence that they work safely as prescription medicines before they permit them to be sold over the counter.

And they cannot offer another of aspirin's benefits - the fact that, taken in very low doses over a long period, it reduces the risk of a heart attack. Small quantities of aspirin (a quarter of the amount needed to relieve pain) reduce the tendency of blood platelets to clot together. Even if aspirin becomes redundant as a pain-killer, its effect on the heart should maintain its popularity well into the next century.

NSAIDs do their good work by blocking Cox-2 and their harm by blocking Cox-1. Cox-1 is a "housekeeping enzyme" normally present throughout the body, with a range of protective functions in the stomach, kidneys and elsewhere. Cox-2 is an "inducible enzyme" produced when tissues are stimulated by disease, accident or stress.

They are just different enough to open up the possibility of developing drugs which inhibit Cox-2 without affecting Cox-1. The latest evidence, presented at a scientific conference in London this month, shows that Cox-2 has a larger tunnel-like space running through the molecule than Cox-1.

Drug companies are racing to exploit the opportunity to develop selective NSAIDs which would have a potent analgesic and anti-inflammatory effect without harming the stomach and kidneys. They would bring commercial rejuvenation to a rather tired sector of the pharmaceutical market which is full of old low-margin products.

The first purpose-designed drugs of this sort are just beginning clinical trials - for example, Merck of the US has one code-named L-745,337. If all goes well, they may receive approval as prescription medicines soon after 2000.

However, an NSAid called meloxicam, developed by Boehringer Ingelheim of Germany, turns out by chance to be a more selective inhibitor of Cox-2 than anything now on the market. Meloxicam recently received marketing approval in France and the company expects it to be licensed within a few months in other European countries on the strength of clinical trials with 5,000 patients. It seems to have fewer side effects than existing drugs but is unlikely to be as selective as the specially designed super-NSAIDs.

None of these drugs is likely to threaten the popularity of aspirin in the near future. For one thing, the regulatory authorities will want to see several years of evidence that they work safely as prescription medicines before they permit them to be sold over the counter.

And they cannot offer another of aspirin's benefits - the fact that, taken in very low doses over a long period, it reduces the risk of a heart attack. Small quantities of aspirin (a quarter of the amount needed to relieve pain) reduce the tendency of blood platelets to clot together. Even if aspirin becomes redundant as a pain-killer, its effect on the heart should maintain its popularity well into the next century.

Throw a chicken in the air

Continued from Page 1

bread, beer, newspapers and Franconia wine. This is costly but their customers feel it is an essential feature of being back on German soil.

On all short domestic flights from Frankfurt, Lufthansa has introduced what it calls the Gate Buffet Service which enables passengers to select their own food at the gate and carry it on board in a paper bag.

Swissair's passengers expect expensive food. "They would punish us if we served only peanuts and beverages on short flights," says Hansruedi Felchlin, of Swissair. "We once tried to get away with a *bûche* (a stuffed pâtisserie) and orange juice and our customers rebelled instantly."

By contrast, most US carriers, despite their publicity, have traditionally given low priority to food, especially on domestic routes, because they believe passengers want, above all, cheap fares.

Today the eating trend is towards lighter, healthier, simpler food. As an example, BA's Hafner cites the company's trio of grilled fish consisting of Arctic char, sole and striped bass, and a comfort food such as steamed date pudding, which reconstitutes well in the air, and is served with vanilla-flavoured custard.

Jenny Sharp, head of BA's catering department, says that the airline's current food philosophy is to give passengers what they did not know they wanted. Instead of the traditional English breakfast on the Brussels route, for example, a Danish pastry with a hot



Aircraft food 1940s style

savoury filling is served. Such fare, according to Sharp, is healthier than a fry-up.

Raymond Blanc disagrees. The renowned chef of Le Manoir aux Quat' Saisons near Oxford, who also designs guest dishes for Richard Branson's Virgin Atlantic Airways, argues: "It's a contradiction in terms to offer passengers what they don't want because most of them know what they want." From his experience, they like food that does not punish the stomach, particularly heavy sauces that give passengers a bloated feeling after a long flight.

"But there is no reason to give two thirds of the cabin the worst food just because they are paying Economy," says Atilla Dogudan, the Viennese

restaurantier who supplies the food for Lufthansa, the small airline started by Niki Lauda, the Austrian racing driver.

"These passengers are usually hungrier than their premium class counterparts," he adds. On an early morning flight to Vienna, the breakfast in Economy had one item less than in Business. The menu included fruit salad, a selection of air-dried Tyrolean ham, Hungarian salami and cheese, muesli, crepes stuffed with scrambled egg and ham, a croissant, an assorted bread basket including rye, freshly squeezed orange juice, a special apricot jam and tea and coffee.

To improve quality, Japan's ANA is experimenting with on-board steam ovens. These are

essential for the production of their special sticky rice which can be easily handled with chopsticks. ANA has also devised an airline service cart that heats individual meals *in situ* rather than in the convection oven in the galley.

With Japanese meals, the visual aspect is just as important as the taste and quality, and ANA cabin staff are trained by the chefs. But the surprise items on board are the organic vegetables and the organic carrot juice served for breakfast in First Class on outward bound flights to the US and Europe. The carrot juice is of special interest because, while pressurisation causes a lack of oxygen, scientific research has shown the juice fixes the oxygen content in your cells. Thus you arrive in better shape.

Wines, which like food are also subject to change when drunk in the cabin, have to be carefully selected. In reds the tannin can become accented, in whites the acidity. In champagne not only the acidity but also the expansion of the bubbles can detract from the taste.

To achieve good results, Air France employs special inspectors called *piqueurs* on board, while others blend wines in-flight and go for fruitiness.

"It's difficult to tell some top vineyards that their wine does not fly," says Adrian Ort, of Cathay Pacific.

But forget the best vintages. They are bad for you and your jet lag. Stick to carrot juice to get oxygen fix.

Farrol Kahn is the founder and director of the Aviation Health Institute, Oxford.

MINDING YOUR OWN BUSINESS

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

- RUGBY LOVING MILLIONAIRE -
CONTROL OF LEADING CLUB

A wealthy person wishing to buy a premier league soccer club would need to spend many millions purchasing its shares.

Now that Rugby Union Football has embraced professionalism, and a new European League appears to be inevitable, clubs which are in a position to do so can establish themselves among a European elite. The commercial potential is huge!

Given the current situation in British Rugby Football, there is the opportunity for an entrepreneur to gain effective control of one of the best clubs in Rugby Football, a club which has a fine coaching set up, a successful record in recent years, a sound commercial operation and a squad of players including many internationals.

There is a first class base upon which to build but the Club's access to the kind of money necessary to achieve success in the new professional game is limited and so the present management, aware of the exciting future and commercial opportunities are prepared to accommodate a backer with significant funds either by taking a secondary role or, even, subject to certain conditions, to step aside to allow the new 'owner' to manage the Club's affairs.

In the first instance, interested parties, principals only, who have the necessary capital and are serious about the project's potential should write in confidence, to the following address:

Box B4042, Financial Times,
One Southwark Bridge, London SE1 9HL

VENTURE CAPITAL
REQUIRED

Embryonic company with unlimited potential & PLC ambitions, does not meet banking criteria & seeks substantial venture capital from discerning but enlightened investors. Quality management input welcomed.

MAYFIELD & CO,
CHARTERED ACCOUNTANTS,
WRITE TO BOX B4026, FINANCIAL
TIMES, ONE SOUTHWARK BRIDGE,
LONDON SE1 9HL. TEL: 0116
2532000 FAX 0116 2532253

Authorised by the Institute of Chartered Accountants in England & Wales to carry on Investment Business

YOUNG, DYNAMIC, EXCITING
FRANCHISE COMPANY

with substantial number of franchisees seeks financial partner to inject £160k for business development.

Write to: Box B4041, Financial Times,
One Southwark Bridge, London SE1 9HL.

RACEHORSE
PARTNERSHIPS

Have an interest in 30 horses, eighteen of which are currently two year olds and older, available on free lease present owner retaining 20%. Twelve yearlings will be purchased this Autumn

Reply in confidence to:
Tel: 0171-838 9737
Fax: 0171-838 9767

BUSINESSES
FOR SALE

FOR SALE Controlling Interest in well established meat processing company in south west Turnover £500k - Profit before directors fees £100k All Enquiries to: 45 Stapleford Road Taunton Somerset TA1 1DG

BUSINESS
SERVICESSave 50% On
International
Phone Calls

Stop Being Over-Charged!
Start Saving Money TODAY!

UK-Holland - Save 30% - 25p/min
UK-Switzerland - Save 40% - 71p/min
UK-Canada - Save 30% - 22p/min
UK-Hong Kong - Save 40% - 44p/min
UK-Ireland - Save 30% - 64p/min
UK-Japan - Save 50% - 44p/min
UK-Norway - Save 25% - 39p/min
UK-Singapore - Save 30% - 39p/min
UK-S.Africa - Save 40% - 71p/min
UK-USA - Save 40% - 17p/min
Savings Compared To 1st Telecom
CALL NOW FOR DETAILS!
Agents Wanted Worldwide.

Tel 0181-490-5014
Fax 0181-568-2830
Dial International UK

SAVE ON INT'L
PHONE CALLS!

Ask about our new lower rates worldwide. Now featuring Faxaway and Int'l Internet access!

In the UK: Call: 0800-96-4016
Fax: 0800-96-4015
In the US: Call: 1-206-216-6181
Fax: 1-206-216-6282

Live agent 24 hours
Call now & save today!
Kallback
417 2nd Ave. W., Seattle, WA 98119 USA

BUSINESS SOFTWARE

To advertise in this section please telephone 0171-873 3303 or write to Charles Whitewood at the Financial Times, One Southwark Bridge, London SE1 9HL or Fax 0171 873 3098

UNIVERSAL EXOTICS.
OPTIONS, SWAP, YIELD,
ZERO-CURVE ADD-INS

Additional spreadsheet functions for Financial Markets Professionals using Lotus 1-2-3 and Excel (Windows, OS/2, Mac). European and American style options and warrants on bonds, commodities, currencies, futures and shares. Prices range from \$499 to \$2,499. FBS - Financial Systems Software A division of FBS Limited Aldersbury Square London EC2V 7HR Tel: +44 (0) 171 - 680 8033 Fax: +44 (0) 171 680 4102

ACT! THE SALES
MANAGEMENT SYSTEM

• Tracks all your Client Contact
• Prompts all your actions
• Has full WP, Modern, Fax support
• DOS, WINDOWS, NETWORKS, MAC.
• Training, Consulting, Support, Product
• Don't complain, compete!
ASK FOR THE DEMO DISC
Brown and Company
Tel: 01582 486444
Fax: 01582 486233

PERSPECTIVES

Lunch with the FT

The not-so-gay hussar chews over life

Lucy Kellaway meets satirist Richard Ingrams

At one table in the Gay Hussar, a restaurant in London's Soho, I sat waiting for Richard Ingrams. At another, he sat waiting for me. It might seem remarkable that anyone could miss Britain's foremost foye and satirist, especially in such a gay place. But he was tucked away behind the door and was, in any case, looking most unlike himself, as he was relatively well groomed and wearing a conservative suit and tie. Eventually, a waiter realised that these two sole diners were meant to be lunching together and led me over to join Ingrams, who ran the satirical magazine Private Eye for 25 years before retiring in 1986. He appeared to be reading an advertisement for the Isle of Man post office in the Oldie magazine he now edits.

I sat down beside him on a red velvet bench, so I had to turn my head to look at him. But, as he chose to stare straight ahead, I had a good view of his profile, which was greyer, thicker and more weary than I had expected. I had been looking forward to this lunch. Not everyone cares for Ingrams, who was described by one newspaper recently as an uptight, ungenerous, censorious, pock-marked old codger. But I like his writing, and was expecting to be much amused.

Yet, 10 minutes into the lunch, we were having a stilted conversation about whether Country Life magazine came out weekly or fortnightly. We had ordered our heavy Hungarian specials (fish dumplings and rice for me; pancake and potato for him) and refused wine. "I don't drink at all," he said.

Ingrams has been a regular at the Hussar for a long time. He boycotted it briefly after its long-time owner, Victor Sassie, sold out, and went instead to the nearby Groucho Club. Now, though, he says he does not like the Groucho and is back in the comforting plush of the Hussar.

"It's nice and quiet. At some restaurants, I can't hear a word of what people say. I went to a restaurant the other day called the Kensington something or other. I couldn't

Ingrams is 58 but, from the way he was talking, he might be 20 years older

hear anything." While working on his just-published biography of Malcolm Muggeridge, he had endless lunches in a corner upstairs with cronies of the late British journalist and broadcaster - Lord Longford, Hugh Carleton Greene, all those sort of people. Apparently, though, it was to little avail: "People don't remember anything."

Ingrams is only 58 but, from the way he was talking, you might think him 20 years older. He believes that the past was better and all the best people are dead. "When the Muggeridge book was commissioned, he was incredibly famous. But I hadn't reckoned on the speed with which some one like that is forgotten. It is to do with telly."

He went on: "It's ridiculous to write a biography of some

one when they are alive." How, then, did that square with his own biography, a glowing account written by his friend, Harry Thompson, and published earlier this year? "I agreed to it because I knew he wouldn't do a knocking job. But you're right - it all seemed a bit pointless."

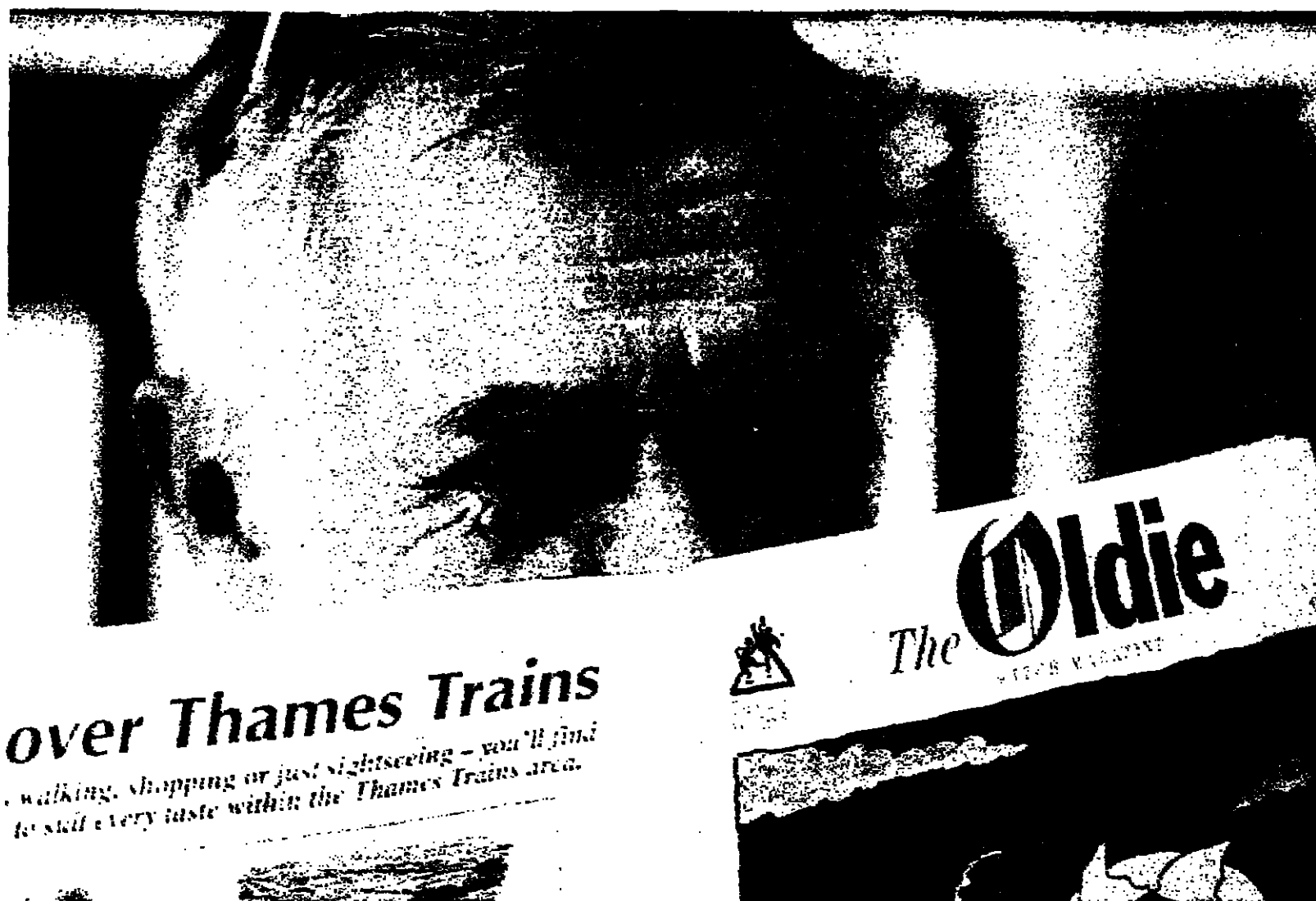
While Ingrams is a master at handing out criticism, he is no tougher than the next person when it comes to receiving it. "It is quite hard to rise above. I mean, even an attack by someone like Paul Johnson. I know it shouldn't, but it makes me angry for a day."

He was referring to a less than favourable review that Johnson, a historian and fellow journalist, had just written of his book. "I did have a very good review in the Newbury Weekly News by someone who does not have an axe to grind against me," he added. Newbury, west of London, is a small town close to Ingrams' home. I laughed, hoping he meant this as a joke against himself.

Given that his own skin is so thin, does he feel remorse about all those people he pilloried over the years when he edited Private Eye? "The Eye should attack powerful people. It went wrong going for some obscure people," he said. But he also claims to feel badly about Cecil Parkinson, a senior Tory cabinet minister who resigned in 1983 after revelations that he had fathered an illegitimate child with his secretary, Sara Keays.

"I felt I'd been used by Sara Keays," said Ingrams. "The story came in anonymously. I just didn't expect it to cause any rumpus. You just don't know what effect you are going to have."

Some people are delighted



Oldie editor, Richard Ingrams: a difficult man to get to the bottom of

to be attacked. For example, Alan Clark [another former Tory minister] is always sending me Christmas cards. But he has been absolutely savaged. I said that Clark was not exactly typical and he mentioned novelist Jeffrey Archer, who, in his thirteenth for any kind of publicity, is not typical either.

Ingrams has put his satirical skills to one side in the Muggeridge biography, which glosses over much of the latter's rampant womanising. Some people have concluded that Ingrams is going soft, an accusation that left him chewing at his pancake for some time. "I hope I'm not," he said. "There was a time when Malcolm was groping every woman he met. Should I list them all?"

"If you do too much, it becomes boring like any long

catalogue - terrible. But where I would criticise Mugg is for not facing up to his past. He blotted it out. He should have said: 'I may have done this and the other, but now I see my mistake.'"

Ingrams himself is often criticised for having double standards: a pillar of the establishment and its greatest scourge; a lampooner of sexual infidelity who has a broken marriage of his own and a girlfriend younger than his children. Yet, he does not consider himself a worse offender than most other journalists. "You could make the charge of hypocrisy against anyone. You need to be on your guard all the time and ask: can I justify this with relation to my own life? But I don't think Mugg was at all aware of that."

We started to talk of Muggeridge and his increasingly fanat-

ical Catholicism. "I wanted to know to what extent he believed all the things Catholics are supposed to believe in. But I discovered that it is very difficult to pin down what people believe. If you ask me what my religion is, I'd find it quite difficult to define it. The whole point of life is to try to make progress all the time."

I asked if he felt he was continuing to make progress. "Well, hopefully, yes. I have just become aware of huge areas of ignorance. A lack of education generally. At school I was taught Latin and Greek: nothing else, really. I don't know anything at all about science. I have a duty to find out. History, too. I'm very ignorant about that."

This bizarrely earnest conversation was brought to an end by a waiter asking if we wanted pudding. Ingrams, hav-

ing left half of the brown lump on his plate unfinished, declined. He said he normally had a sandwich from Marks and Spencer for lunch. I asked if he cooked, and he admitted to "developing a slight interest in cookery through the good offices of Della Smith" - the popular television cook.

This new found domesticity also runs to staying in for Coronation Street. "I was reading today that they are going to have Coronation Street four nights a week instead of three. That will place a great burden on viewers." He gave a barking laugh and informed me that poet Sir John Betjeman was also a great fan of the soap opera.

Returning to Muggeridge, Ingrams observed: "He just shut down when he was 70. He lost his sense of irony. There can be little danger of Ingrams

losing his. On the way to our lunch, he had an unfortunate chance encounter with a woman who recently sued him for sexual discrimination after he fired most of the females on the Oldie staff."

At the time, he had put out a press release making a joke of the sackings and predicting the launch of "The Crone" - a magazine for old bags. "It is impatient about the whole matter. 'If I had taken them all out to lunch, I would have been all right. But I just couldn't be bothered.'"

I am not so confident it would have been all right. At the end of our meal, he was just as impenetrable as when we started. Was he bored? Or is that just his way? His biographer complained that he could not get to the bottom of Ingrams, and I see what he meant.

Diversions

A stroll through history

Peter Marsh discovers the delights of London's towpath

As you walk west along one of London's great, yet largely unknown, arterial pathways, the landscape softens. You encounter more grass and trees, and a better class of fisherman.

This is London's alternative waterway: not the well-trodden route that follows close to the Thames but a wondrously historic 23-mile towpath next to the Grand Union Canal, linking Limehouse in the east and Brentford in the west.

Cutting through a large swathe of north London, for much of the time below street level and with only the occasional sightings of vehicles, the route provides a view of the capital that is always interesting, at times beautiful and above all different.

The hidden nature of much of the path gives it a curious, Narnia-like quality, as though you are looking at London from the inside out. The sights range from nondescript to exotic. They include grim council estates and floating restaurants; railway goods yards and ornate iron bridges; the Heinz baked bean factory and the London Zoo aviary; the squat cooling towers of Willesden power station and the soaring spire of Kensington's St Mary Magdalene.

While there are some modern buildings - such as a mosque and the sheds for the Eurostar channel tunnel trains - many of the features have changed little since the canal was dug around 200 years ago to connect the capital to industrial centres in the Midlands. Look out in particular for a magnificent, though disused, canopied warehouse for loading and unloading narrowboats at Brent Meadow Wharf.

Along the route your most frequent companions are likely to be fishermen (and a few fisherwomen) for whom the canal is a permanent magnet. The ones in the east, close to some of London's poorest areas, make do with fairly rudimentary equipment. Further west, as you pass through the better-off suburbs of Greenford, Perivale and Alperton, they have sophisticated carbon-fibre rods and special boxes for keeping a wide range of maggots, presumably to attract different types of fish.

Technically the Grand Union Canal in London is not one but



three canals: the eight-mile Regent's Canal which connects Limehouse Basin on the Thames to Paddington Basin; the 13-mile Paddington Canal to Bull's Bridge; and the seven-mile stretch of the Grand Junction Canal which joins the Thames at Brentford.

The different sections were dug from west to east over a 27-year period from 1783. The Paddington and Regent links allowed barge traffic from Birmingham (where the Grand Junction comes from) to drive directly through London rather than entering the Thames west of the capital.

The Paddington link was relatively straightforward and was completed without any significant financial overrun, but the Regent section was much more problematic.

It runs through hillier ground and so presented the technical challenge of tunnels and locks. The Regent canal has two tunnels and 12 locks - the Paddington stretch has none. The Regent route also went closer to built-up areas, leading its builders into disputes with landowners. Nor was the Regent's building pro-

gramme helped when the canal's architect, Thomas Homer, embezzled much of its development capital - a crime for which he was transported.

By the time the canal opened in 1820, much of the momentum of the canal age had dissipated. The advent of the railways soon afterwards killed off its chances of proving a financial success.

Today, the walker may regard the route as just another way of getting across London. It is just about possible to finish it in one day, although most people might prefer to do it in sections. From Limehouse (close to a Docklands Light Railway station) the walk goes through an evocative, though somewhat grim, landscape of battered factories and disused wharves, brightened by the occasional well-kept back garden and the greenery of Hackney's Victoria Park, for which the canal acts as a boundary.

At City Road Basin, for the only significant stretch on the route, the walker has to leave the towpath and take to the streets as the canal flows through the 960-yard Islington

tunnel. After this comes the best known stretch between Camden Locks and Little Venice, which takes in the northern edge of Regent's Park. Here, on a warm weekend afternoon, the towpath will probably be packed with strollers.

Heading west is perhaps the most pleasant part of the walk. The path leads through some good modern housing close to Paddington station and the open spaces of Wormwood Scrubs, with its dozens of football pitches and nasty looking prison. Ahead lie long sections where there will be few other walkers, with open views across stretches of near countryside.

The western suburbs are home to large numbers of moored narrowboats with soothingly old-fashioned names: Top O' The Morning, Lancashire Lass, Ivy Rose, Autumn Days, Toots and Otter. Lots of light industry is packed around the Park Royal estate - one of Britain's earliest industrial parks, which is the base for household names such as Guinness and Allied Lyons. The Regent Canal links up with the Grand Junction close to a Tesco superstore. A big Nestlé coffee factory announces itself a mile away by its smell.

The route is then a switch-back ride south-east back towards the Thames via six locks at Hanwell, which raise the canal 53ft. Watch out for the delightfully understated cast-iron Gallows Bridge a mile away from Brentford, close to the elevated section of the M4 motorway.

The most technically accomplished part of the canal is probably the stylish aqueduct that carries the waterway over the North Circular Road near Wembley - the most dangerous is the section near Boston Manor where a large goat may block the towpath.

For sheer pleasure, linger for a few minutes on the towpath opposite Kensal Green Cemetery, which is impressively shaded with trees and makes a glorious contrast to some large and surprisingly attractive gas-holders on the south side of the canal. If - as happened in my case - a large flock of geese comes chasing over the canal at this moment, your enjoyment will be complete.

FOOD AND DRINK

For reliably ripe, luscious wines, ready to drink young from recent years (which have not exactly been untroubled in northern Europe) look south, to the Languedoc and southern Rhône Valley and beyond.

It has been a convenient shorthand to say that supermarkets, with their ability to buy in unthinkable bulk, are best at bargains under \$5 a bottle, while independent merchants are better at offering dependable excitement at more than a fiver.

I have recently, however, come across convincing evidence that in the \$4-25 bracket, the independents are fighting back. Exhibits A, B and C are three characterful southern French reds from the precocious 1994 vintage at \$4-something from traditional merchants.

(All, coincidentally, are members of the informal British group of merchants which exists to guarantee its customers' safety

when buying and storing fine wine - and to guarantee its members, I suspect, a jolly good gossip about the shortcomings of other retailers.)

Syrah, Les Platanes de Marquise 1994 (£4.65 from Lay & Wheeler, of Colchester, Essex) is a densely peppery archetypal Languedoc rendition of the north Rhône's great grape made from grapes grown in the foothills of the Cévennes.

Cuvée des Templiers 1994, on the other hand (£4.70 from Layons of London NW1), is a Vin de Pays from the southern Rhône valley which has all the warm, juicy appeal of a Côte-du-Rhône fashioned in drink-up style. It is made mainly from ultra-ripe

Grenache grapes with a bit of Syrah structure and a dollop of Cinsault and Carignan.

Adams of Southwold, Suffolk, meanwhile has another Côte-du-Rhône manqué in the rather softer, more Merlot-influenced form of Domaine Michel, Vin de Pays de Vaucluse 1994 at £4.50. These three wines are directly comparable with Oddbins' brace of delicious, round, supple red 1993s from the Costières de Nîmes appellation on the cusp of the southern Rhône and the Languedoc: Domaine Mas Carlot at £4.69 and Chateau Paul Blanc at £4.99.

But Adams' real current excitement is a trio of stunning Italian reds at \$5-something

Wine / Jancis Robinson

O for a beaker full of the warm South

(validating the \$5 theory). Their own special, unfiltered bottling of Rosso Conero 1993, Le Terrazze at \$5.60 is everything one could ask of a gulpable Italian red: deep vibrant crimson colour, lovely soft damson flavour, and an appetising bite at the end.

Adams claims it saved the wine from its usual pre-bottling filtration by a chance telephone call to the producers just as the wine was about to be bottled. "We could even hear the bottling line rattling in the background," reports Adams' Simon Loftus excitedly.

Two other plums were extracted from further south by Nicolas Belfrage, the original Italophile Master of Wine.

Many a retailer now offers a Salice Salentino and they are generally good value if dense and occasionally explosively alcoholic. Adams' Salice Salentino 1990 Vallone, £5.30, is mercifully tamer than most with a sweet fullness, only the merest suggestion of volcanoes and still some lively tannins at the end of the palate.

Pervini is a wine producer name to conjure with. The Belfrage/Adams combination has come up with its admirable Primitivo di Manduria 1992 at £5.90, made from the grape known as Zinfandel in California (although which was chicken and which egg is still the subject of some debate). This almost sweet, 14 per center is saved from being completely over

the top by its flick of appetising acidity and the overall impression is one of miraculous balance.

All three of these wines could be drunk with great pleasure this winter but should continue to improve over the next two or three years.

Adams' Helen Duddridge has worked equally hard to nose out some plums from Portugal's evolving vintages. Just to show that the supermarkets and chains do not have a monopoly on discovering the Australian effect in Europe, Adams now imports a red and a white of table wine strength from the Douro (port) valley, two expressions of Portuguese vineyard tradition but fashioned by Australian-trained winemakers.

Quinta do Crasto 1994 at £5.50 (£5.49 at Oddbins) is an extremely modern, upfront deep red rendition of Tempranillo and Touriga Franca, traditional port grapes, with great richness and life made by David Baverstock who is based in the Alentejo further south.

Dom Prior 1994 at £4.50 is the creation of David Guimaraes, another Roseworthy graduate, but this time raised in Oporto of Fonseca port-producing stock. This fascinating wine is made exclusively from one grape variety (unusual in Portugal), Malvasia Fina, grown in cool, high vineyards up the Douro valley.

The result is something powerful with a slightly apricot-like perfume and a little astringency for the moment but an enormous amount of character. Its deep brown bottle quite rightly resembles Chateau Grillet, the Rhône's most expensive white. Just the sort of non-identikit wine to bring out the best in an Australian education.

How to build new bridges over the Bosphorus

Nicholas Woodsworth gorges on swordfish, bluefish, turbot, calamari, shrimps, tuna and much more in Istanbul

We live in a world of sad impermanence. Time passes, cities change, fish restaurants we once thought immortal disappear.

Not so long ago, my favourite pastime on visits to Istanbul was sitting down to a meal at one of the restaurants on the Galata bridge. As sites for fish dinners go, it was hard to beat an establishment suspended from the underside of a floating pontoon bridge on the Golden Horn.

The traffic would rumble overhead, the iron girders encasing the restaurant would creak and moan, and the bridge itself gently dip and rise on the water. With a plate of turbot and a bottle of cold white Marmara wine, I would sit at an outdoor table there on a summer evening and think myself the luckiest of diners.

The fish may not have been always of the highest quality and the service raised eyebrows from time to time, but the place had atmosphere. Ships' horns hooted. Ferry boats came and went. There was something about gazing out on to the lights, the docked boats, the busy maritime traffic steaming through the Bosphorus that seemed to contribute to the taste of the fish itself. It was superb.

The old, floating Galata bridge has disappeared now, replaced by a modern one which is fixed firmly, efficiently, and without a single fish restaurant. Where in heaven's name, I wondered as I walked across the new structure on my last visit to Istanbul, was I going to find dinner with the same maritime setting so close at hand, the same fishy pleasures offered up so congenially?

At the Eminönü ferry docks on the old Istanbul side of the bridge, I stopped to gaze, sniffed the air - and brightened up immediately. Somewhere, someone was grilling fish. I followed my nose past a Bosphorus ferry with gangplanks choked by boarding passengers and, at its stern, came upon the *Lale*, a pretty wooden boat with scrolly, painted woodwork on its bow and a star-and-crescent Turkish flag flying overhead.

I thought at first it was on fire. But no: the smoke and crackling flames coming from its open midships were contained in a large tinplate cooker. On one side of it was a grill, on the other a shallow frying pan at least 3ft across. Both were loaded with fish fillets, and two moustachioed Turks were working at full speed serving up fish sandwiches. The *Lale* was the Istanbul equivalent of the English fish and chip take-out.

The fire sizzled, the *Lale* rocked up and down, the fillets slipped about in the pan and, in a minute or two, I was eating a crusty hunk of fresh, baguette-like Turkish bread

filled with hot fish and grilled green peppers and tomatoes. With no shop counter from which to offer comments, the *Lale*'s crew had wired little tube of salt and sliced onions to the dock railings. The whole affair cost less than 50p. It was simple and delicious.

Munching great door-stoppers of sandwiches on a ferry dock was all very well as an afternoon snack - it is the fastest way to enjoy good, fresh fish from the waters around Istanbul. But it did not quite constitute the leisurely and sustained dining I had envisaged. So, that evening, I wandered off to Kumkapi, the Istanbul district on the Sea of Marmara where seafood has long been an established tradition.

It is a colourful, noisy, happy, hectic set of streets, and much too commercial. On summer evenings, traffic is blocked off, restaurant tables are set outside, and tourists

Hunting out fish restaurants is a pleasant way of getting to know the towns along the Bosphorus

from all over the world squeeze through over-crowded streets. I found it hard to enjoy. Restaurant touts pushed menus at me, hungry tour groups wandered about, ambulating bands of gypsy musicians each played a different tune louder than the other. The seafood at Kumkapi may be fine, if somewhat over-priced. I never found out. I fled.

In a bar later that evening, over a calming glass of the cloudy drink the Greeks know as ouzo but the Turks call raki, I recounted my escape to Cevdet Uygun. A man who carried his considerable girth with pride and confidence, he looked a good bet to engage on any food-related subject.

Journalist, drinker, raconteur, admirer of women and immoderate lover of seafood, Cevdet is not a man. I discovered, to let obstacles get in the way of his passions. Possessed, like most Turks, of a vast sense of hospitality to strangers, he offered immediately to show me some of his own favourite eating places around Istanbul.

Hunting down fish restaurants is, without doubt, the most pleasant way to get to know the towns and restaurants along the Bosphorus. We left the next morning on one of the ferries that set the *Lale* rocking at its mooring and, for the next few

hours, hopped back and forth between Asia and Europe.

There are many towns along these supremely beautiful shores, most with good fish restaurants, some of them highly sophisticated and expensive. Of them all, I preferred unsophisticated Sariyer: it remains the active, working fishing port it has always been.

Big, steel-hulled Black Sea fishing boats, their nets wound on hydraulic drums at their sterns, lay at their moorings in the harbour. Tiny little wooden craft with single-cylinder engines hammering away - pop-pop-pop-pop - arrived with more modest catches. It was a bright scene painted in lively colours: the boats bobbing in a fresh breeze; the green, forested hills rising behind the town; the brilliant blue, foam-flecked Bosphorus; and a port where all life was concentrated on catching, selling and serving fish.

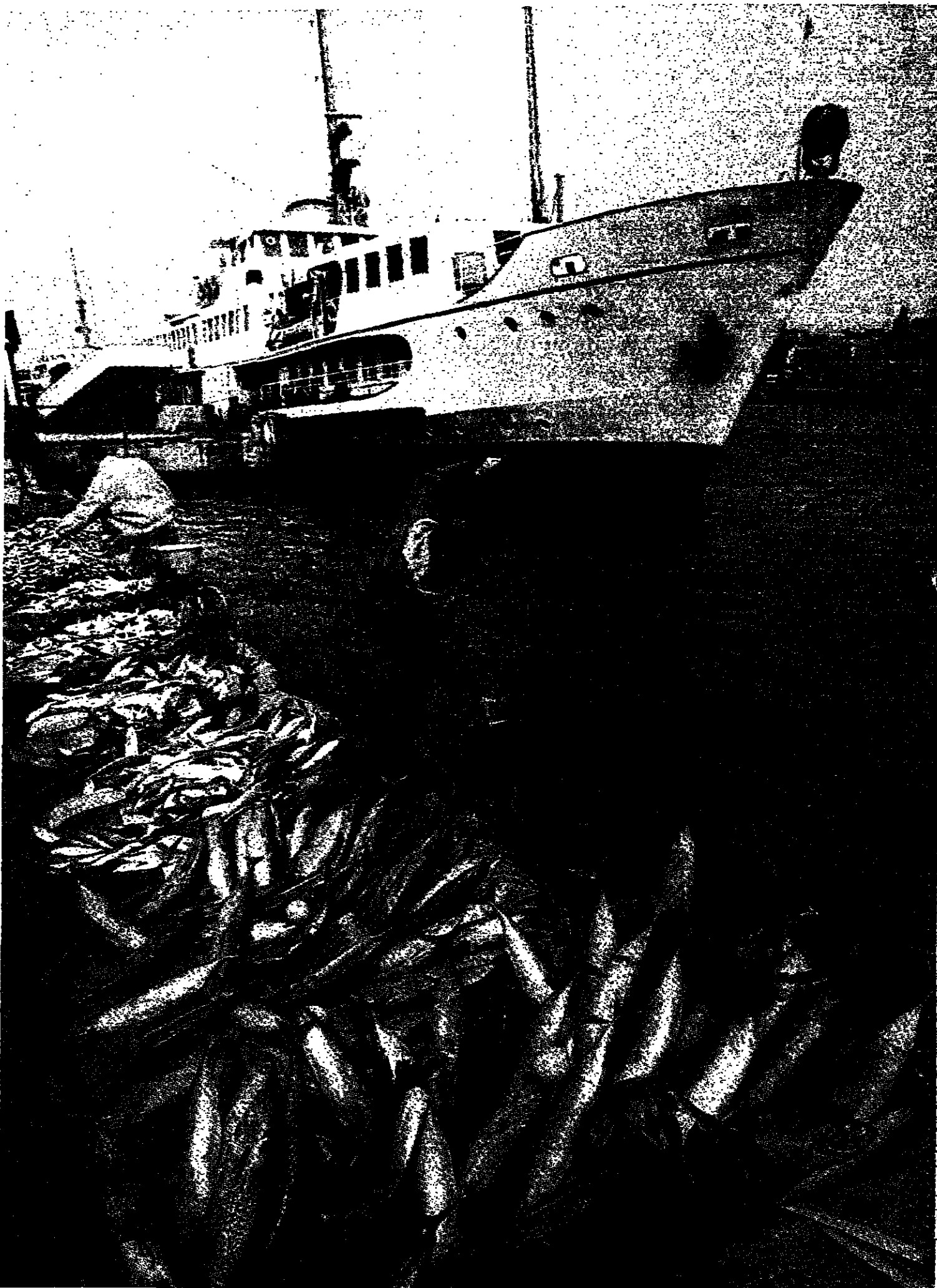
There was a market where fish and crabs lay on iced beds of fig leaves and ferns. On the waterfront, small boys fished from the docks. Women shucked tubs of mussels. Whiskery old men sat in the sun preparing and selling hand lines. Under a sail rigged overhead against the sun, I talked to two mending fishermen who lamented, like fishermen all over the world, that fishing is not what it used to be.

The Bosphorus and Black Sea catches still come in nonetheless, for the display, cases and live tanks of the restaurants along the water were full of treasures. At the Gaganoz restaurant, I gazed at swordfish skewered on kebabs, at bluefish, turbot, sea bass, mackerel, calamari, shrimps, small tuna, sardines, crabs, fresh anchovies, red mullet. All are caught locally, and all are delicious.

In the end, we reached the small port of Rumeli Kavagi, at the north end of the Bosphorus where it opens out into the Black Sea. There, I plumped for a small, whole *palamut* (or bonito), grilled and accompanied by a salad. Like the preparation of the restaurant where we ate, the *Mezdan*, was simple: when the fish is as good as this, Cevdet reminded me, nothing need be complicated.

For real aficionados of Turkish fish restaurants, though, food alone is not enough. On my last night in Istanbul, Cevdet and I made our way to Mustaphapaşa. Like Kumkapi, it sits on the Sea of Marmara. But the similarities end there.

In the streets around the railway station, the fish restaurants are places where locals - many of them fishermen - gather each evening for company. What counts is not just the food and drink, but conviviality. The table where we settled down with half a dozen Turks was loaded already with raki bottles, glasses



On Golden Horn: fish salesmen arrange their catch

and seafood *meze*, the small plates of spicy appetisers popular throughout the Levant. There was octopus in green olive sauce; tiny silver sardines cooked with red pepper and olive oil; rings of calamari deep-fried in batter; fish pickled in a rich *pilaki* tomato and pepper sauce; mussels sitting in their own shells

on beds of cumin-spiced rice.

We made our own honourable contribution to the chaos on the table. But as we enjoyed these marvellous things, we also enjoyed a constant stream of conversation and chatter with our neighbours. Turks are, after all, a Mediterranean people. "The food is just an

excuse," Cevdet joked as he poured a tall glass of raki. "What we really love is talk."

We ordered plates of *meze* for our table companions, and they ordered for us. They told me about fishing on the Bosphorus. I told them about fishing in Britain. We ate, we smoked, we drank prodigiously.

Somewhere, towards the end of the evening, our new friends invited us on a Bosphorus fishing trip.

It is an invitation I look forward to taking up on my next visit. Not just for the eating, either, but for the friendship. Old bridges disappear, but new and equally interesting ones get built.

From Prussian royalty to Kevin Costner

It is not often that a grand old restaurant returns to life after nearly 50 years in limbo. Even rarer that it should come back to haunt a wing of the original premises.

Stranger by far, then, that this should happen in the centre of Berlin, a city flattened by Allied bombing in the second world war, and where a regime anathema to luxury installed itself in the ruins.

Borchardt was once the grandest of the grand. It was founded by Friedrich Wilhelm Borchardt in a neo-renaissance palazzo at number 48 Französische Strasse in 1893, as a restaurant and catering business with delicatessen and wine shop. It was rapidly taken up by the Prussian royal family.

Eight years later Borchardt was dignified with its first appointment to the court and in 1875 Friedrich Wilhelm was invested with the portentous title of *Kooperationsrat*, or commercial councillor. Obscure diplomats were not slow to take the

hint and Borchardt went on to supply all the main embassies.

Borchardt catered for the great occasions of the Second German Empire: the Congress of Berlin in 1878; the last session of the Council of State before Bismarck's reluctant departure in 1890; and the opening of the Kiel Canal in 1895, when the company served 1,050 covers with 11 courses and six different wines in 55 minutes flat.

The restaurant was the scene of Friedrich von Holstein's little gatherings. The "grey eminence" of the German foreign office "thought that in the course of a half hour lunch he could govern the world". It was a sentiment which would have greatly appealed to early 19th century French gastronomic writers.

In the course of one of these sessions Holstein invented the *Schmützel* which still bears his name.

These days you are most likely to find it in France: a veal escalope with a fried egg on top. The original conception was more baroque: a veal chop "topped with a lightly poached egg and garnished with mushrooms, caviar, lobster and salmon".

Borchardt's dining rooms were originally much in favour with the provincial Prussian nobility, but things began to change after Wilhelm II ascended the imperial throne in 1898 and the restaurant hung a portrait of the "All Highest" in its Red Salon. Possibly the *Junkers* did not approve of the flashier style of the new emperor, perhaps the food had gone off. Whatever the explanation they began to look elsewhere. Theodor Fontane recorded their disaffection

in his novella *Irrungen, Wirrungen* (*Aberations*) of 1897.

Borchardt nevertheless retained its official patronage and its food and grocery business was booming. In 1899 it constructed a new wine and food shop next door at No.47 and refitted the restaurant at No.48.

But the war and the departure of the Hohenzollern kings and emperors knocked some of the stuffing out of Borchardt.

By the time Germany had recovered from the trials of inflation it had become fashionable to visit the new restaurants in the city's west end. Borchardt continued to be popular with the embassies, even during the second world war.

A former diplomat, old Roland Mary, one of Borchardt's new owners, that the Nazis had used the place almost as a high-class brothel,

planting prostitutes about the *chambres séparées* to gain information from the remaining diplomatic missions in Berlin.

All this came to an end when No.47 was destroyed by an Allied bomb. For a while the East German regime licensed a restaurant called *Lakullus* in No.48, where formerly the wines and *gourmandises* had been sold. In the declining years of the DDR it became a storeroom, a discotheque, and, finally, a canteen.

Mary and his partner, Marina Richter, bought Borchardt from the state four years ago. The fine sandstone facade of the building was restored while they carried out further work inside the pillared ground floor room to reveal, among other things, a fine mosaic figure which had been lost under successive coats of paint.

In the courtyard they built a bar into the red brick building which used to house the old wine cellars and put out tables for *al fresco* dining in summer. Similar to the old Borchardt, the owners also have created an off-the-premises catering business.

But Borchardt's rebirth has not been without labour pains: nearby Friedrichstrasse has been turned into a vast building site for the city's new shopping precinct. For two years Borchardt was forced to close. Besides being almost impossible to get at, there was no water or electricity.

The restaurant reopened in June. Not the pompous, old-world Borchardt with its *Junkers* and gourmet privy counsellors, but something on the lines of a smart Paris brasserie with decent, unpre-

tentious food and wine.

Mary cites the Coupole in Paris and the Paris Bar in west Berlin as his models: he wants something lively and socially smart and is proud to admit that on a good day he might have a bery of fashion models in one corner and the city's governing mayor, Eberhard Diepgen, or the former east German politician, Lothar de Maizière in another.

Of course you could argue that Diepgen and de Maizière are the modern replacements for the silver-chain swinging, cigar-puffing dignitaries of the Second Empire. But I could not help wondering who the equivalent of the Kaiser was. Mary took me down to the kitchens to show me a feast they were preparing for Kevin Costner that evening. Then I knew.

Information: Borchardt, 48 Französische Strasse, Tel. 00 49 30 20 59 110. Lunch DM70, dinner DM100.

Giles MacDonogh

FOOD AND DRINK

Trade secrets of a Chinese chicken chopper

Kieran Cooke on his local food stall in Kuala Lumpur

If there was a chefs' Olympics then Ah Fat, proprietor of my local Kuala Lumpur food stall, would surely win a gold medal. Ah Fat's speciality is chicken chopping.

He lifts the plucked and cooked beast down from its book on to a chopping board the size of a truck tyre. A quick examination, a sharpening of his mighty cleaver, a few lightning movements of the wrist and hey presto – the bird lies on a platter, neat as an Arabian display. Once I timed him: one minute and eight seconds from first cut to last chop.

The Chinese food business in the west is dominated by the Cantonese: even restaurants specialising in regional Chinese dishes are usually run by families from Canton or Hong Kong. One of the joys of eating in south-east Asia is the availability of countless authentic Chinese regional dishes – usually best eaten at roadside stalls, at knockdown prices.

Ah Fat's ancestors came from the island of Hainan, off the south coast of China. The various groups among the 30m Chinese that left southern China over the centuries specialised in certain sectors: some went into tin mining. Others mined the gold trade. Some mined the underworld of the triads. The Hainanese went into catering.

In the old days no British colonial house in Malaya or Singapore was without its set of Hainanese "houseboys" – greased-back hair carefully combed, white jackets that tinkled with starch, cotton sandals padding across the verandah with the whisky soles.

The Hainanese not only cooked British food – they could cook it just as badly or as well as the master of the house required. Mushy peas and congealed sprouts. But magnificent toad in the hole and gooseberry fool. The Hainanese opened restaurants serving British style cuisine: surprisingly some locals gained an appetite for "chicken chop Hainan style" and, even more exotic, "Welsh rarebit with bull's eye egg".

Only a few of these establishments survive. The cooks and waiters are now old and a little grumpy. It seems few want to eat this peculiar English tropical food any more. Soon, no one will remember the ingredients of a good multi-gateway soup or know how to knock up a mouth-watering rhubarb crumble or sherry trifle.

But in Chinese cuisine the Hainanese still have a firm grip on one very popular segment of the market – the chicken rice business. Ah Fat and his colleagues chop thousands of chickens each day, serving 100 (US cents) each.

Chicken rice is a simple dish to prepare: it is also one of the healthiest, highly recommended for any jittery tummy. One evening when business was quiet, Ah Fat sat over a beer and divulged a few trade secrets.

First, find your chicken. Ah Fat once went to see a brother in England. He was appalled at the chickens on the supermarket shelves. All fat and water. For chicken rice, the bird has to be relatively small and lean:

any fat should be peeled off and put to one side.

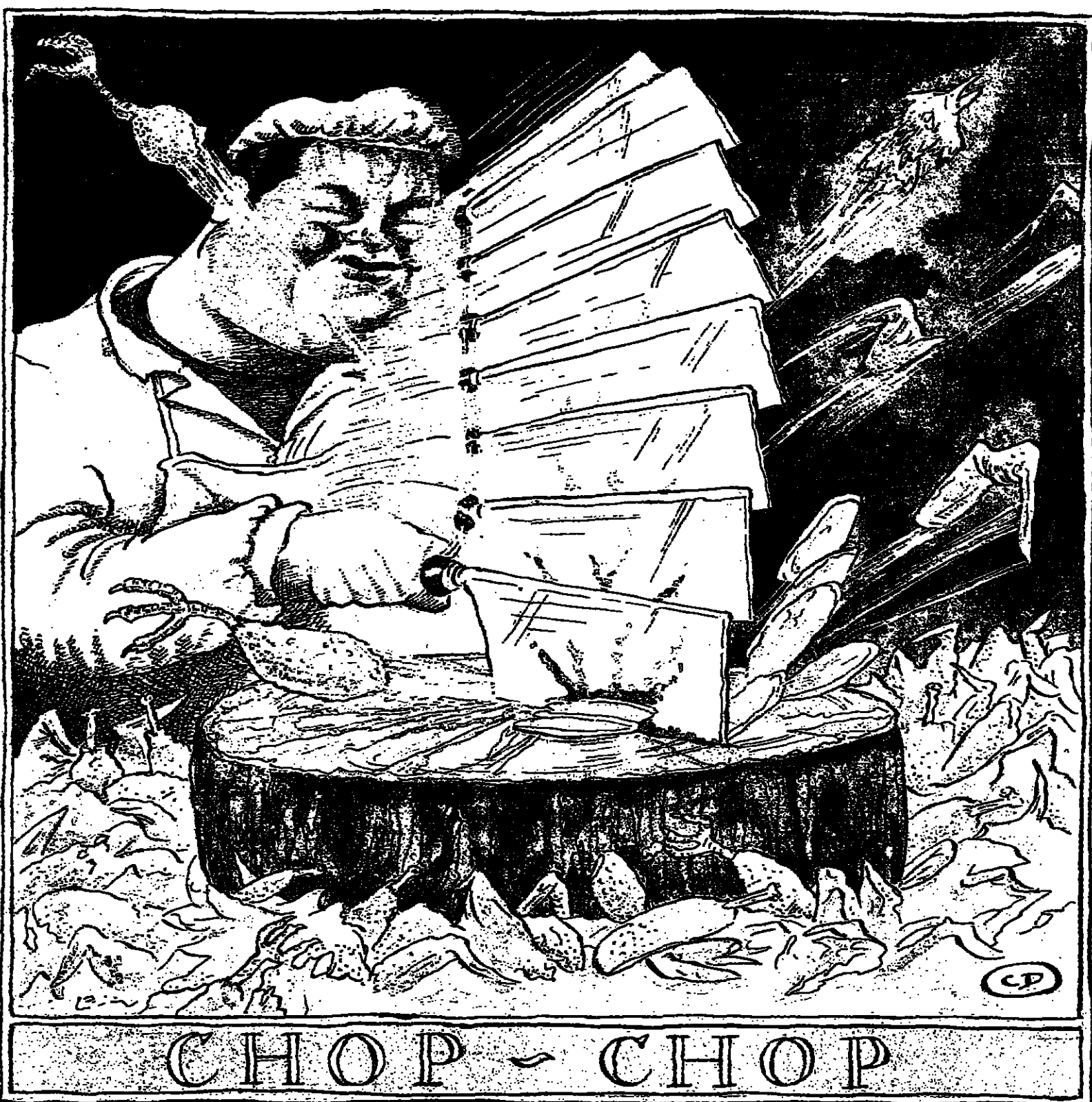
Wash and salt the bird. Cut a generous amount of fresh ginger and, together with spring onions, put inside. Seal with toothpicks. Bring a large saucepan of water to boil: put the chicken inside, bring to the boil again and then simmer for about 30 minutes.

Take out and immerse in a basin of cold water for one minute. Drain and rub sesame oil all over. Meanwhile, wash rice, drain and fry briefly in some of the fat taken off the bird earlier. Then boil the rice in the chicken stock (for cooking rice Asian style the level of liquid should be one joint of the first finger above the top of the rice).

When the chicken has cooled, chop off the wings and thighs and halve them. Chop straight down the breast bone and then cut each side of chicken into thin pieces, always leaving the flesh on the bone. (The Chinese cannot understand the western predilection for carving meat off the bone.)

Mix soy sauce, sesame oil with a small amount of chicken stock and pour over the chicken on the dish. For garnishing, use some cucumber slices and Chinese coriander. The chicken pieces can be dipped in a side sauce of pounded fresh chilli, together with a little lime and soy sauce.

The stock can be served as soup. A 3lb chicken should serve six people: Ah Fat recommends this either as a light lunch or one of two or three dishes to be served at dinner. He advises against novices trying to break any chicken chopping records.



Cookery / Philippa Davenport

Taming wild rice on the Camargue

Long soaking is needed to rid tellines of sand. They call for careful cooking and perseverance to eat – but what a treat. Cooked and dressed with olive oil, wine, garlic and parsley or herb fennel, they are as tantalising and moreish as pistachio nuts. Sucking the salty-sweet flesh from them, as you sip wine or pasta in good company, is a most agreeable way to while away time.

Cheeses on sale in Arles market are sure to include *chevre*, *brusse*, medicinally strong *lou chachot* and the delectable little *fromage d'Arles* known as *perle* with its soft bloom rind and faintly melting centre.

Usually you will find mounds of olives, just as they are or marinated, fresh walnuts in season, honey, cakes and sweetmeats, lentils, rice, couscous, herbs, dried flowers and leaves for tisanes, and just about every spice imaginable, not to mention Provençal pottery, basketwork and the brightly printed cotton fabrics made internationally famous by Soledad.

Look inland and you are in van Gogh country: the yellow

ochre wheat fields, the olive groves, vines and sunflowers. Turn towards the Mediterranean and you see, embraced by the two meandering arms of the Rhône, the seemingly endless flatlands of the Camargue, legendary home of semi-wild white horses, stocky black bulls bred for the bull ring, sunset pink flamingoes, cowboys (les gardiens of the bulls) and gypsies.

The Camargue is an extraordinary mix of marshy wilderness and rich agricultural ranchland. Alas, the area is mosquito paradise. But I fell under the spell of the place nonetheless, not least I suppose because I was protected and cosseted at night by staying at Le Mas de Peint, Le Sambuc (tel: 90 97 20 62, fax: 90 97 23 20), an old farmhouse newly converted into a comfortable eight-bedroom hotel of exceptional stylishness.

The Camargue used to be famous for its salt marsh lamb but in recent decades sheep farming has given way to crop cultivation. Field upon field of herb fennel is grown for flavouring pastis, and rice culture

has increased by leaps and bounds.

Rice was first introduced by the Spaniards in the 14th century but its cultivation petered out over the centuries. Interest revived in the late 1940s when



major drainage and irrigation programmes were introduced. Paddy fields were built and new strains of rice came on stream.

Long grain is more fashionable now than short grain rice. The longer the better. And the taste for novelty is strong in those for whom rice is a supplementary food, not basic

rations. Scarcity value can also heighten appeal and the tale of the birth and development of Camargue red rice is undoubtedly romantic.

Fifteen years ago, a farmer called Griotto noticed a rogue plant in one of his paddy fields, dramatically coloured and standing head and shoulders above the rest of the crop. He picked it when it was ripe and found it was a spontaneous mutation, a chance cross between a locally cultivated rice and an indigenous wild red grass, the heads of which do not normally produce mature grains.

The 30 grams of grain yielded from this single head were, for 12 patient years, planted, nursed and replanted by Griotto and his son Serge until they were sure they had a cultivable and saleable commodity. The Griottos' enthusiasm and devotion to the grain they have gently and successfully coaxed on to the marketplace is understandably akin to that of proud parents.

It is good grain. It is decorative, nutty and feels agreeably full in the mouth – yet it is not

unbearably heavyweight, as some brown rice can be. I had my first taste of it at Le Gavroche in London, where it was used to great effect in a dish of mussels with wine, herbs and cream. At Le Mas de Peint, in its native Camargue, it was served with bull meat hung long enough to render it so tender that it could be cooked until just pink, dressed with a simple jus. Back in my own kitchen I have successfully teamed the grain with pot roast partridge and quail.

This year is the third of commercial production and the first of the new season's crop should start to trickle into our shops on or about November 4.

QUAIL WITH RED RICE, SHALLOTS, RAISINS AND ALMONDS

8 quail; 20z shallots; 20z raisins; 20z silvered and lightly toasted almonds; 4 fl oz Marsala; 1/2pt poultry stock; 1-1 1/2oz olive oil or unsalted butter; parsley, thyme and bay leaves; 5oz Camargue red rice; 1 bunch or pillow pack of watercress.

Melt the fat in a Le Creuset buffet casserole or other heavy flameproof pot that will take the quail snugly side by side. Brown the birds all over, adding the shallots after the first minute or two to colour them well too.

Pour on the Marsala and let it bubble up vigorously. Add the stock and bring back to a fast simmer. Stir in the raisins, the leaves stripped from several sprigs of thyme, a bay leaf or two and a grinding of pepper.

Turn the birds breast downwards and lay a sheet of greaseproof paper directly over

them. Cover with a tight-fitting lid and cook at 400°F (200°C) gas mark 6 for 5 minutes. Then reduce oven temperature to 350°F (180°C) gas mark 4 and cook for about 25 minutes more until the meat is meltingly tender.

To cook the rice, boil it in plenty of well salted water with sprigs of thyme and parsley for flavour. The instructions on the packet suggest 30 minutes boiling followed by 10-15 minutes rest. I find 25 minutes and 10 minutes respectively are enough.

Transfer the cooked quail to a warmed serving dish, tucking the shallots and watercress among them. Stir the almonds and raisins into the rice and spoon it round the birds. Boil up the cooking liquor until reduced to your liking, check seasoning and serve it in a gravy boat.

Eating out / Nicholas Lander

Tales from the water's edge

The pleasure of eating well and calmly in a waterside setting is surely under-rated. Three recent meals, dinner in Scotland, lunch by the Thames and an indifferent pizza by a French canal, have reminded me how even a mediocre meal can be made enjoyable if eaten beside water.

In the early 1980s, I ate a memorable lunch at Berowra Waters, a restaurant now sadly defunct, in Australia. There were two ways to reach Berowra: either by boat, across the Hawkesbury river, or by sea-plane from Sydney harbour. Looking out across the water, you could concentrate on eating exquisitely and peacefully.

Water, supported by stunning scenery, humbles any diner into passive enjoyment as I discovered in June this year when visiting the Altnaharra Inn, across the loch from Ullapool on the west coast of Scotland.

To reach the restaurant, run by Fred Brown and Gunar Erikson, you must leave the car at Ullapool and take the boat.

"It doesn't matter what car

the customer arrives in," Brown explained, "they all have to clamber into the boat and when they arrive here they're absolutely equal."

Dinner that night included a bisque made from crabs caught in the pots floating outside the restaurant. They were of concentrated, lingering flavour. After dinner, we walked along the water's edge in the beautiful near-midnight light which only Scotland can provide at that time of year.

Yet the pleasure of eating well by the water's edge is easily available to those who live in England.

One experience not to be missed is at the Beetle & Wedge, in Moulshof, Oxfordshire. If you are going by train arrange for a taxi to meet you at Goring station (£3 each way).

If you are leaving from central London, catch the Thames Turbo from Paddington. The journey offers views of the Thames, riverboats, moorings and allotment gardens.

When you arrive at the restaurant you will be unable to decide whether to concentrate on the wine list, the menu or the views. The location is so

lovely that, from June until October, at least one wedding reception takes place there every weekend.

Should your table be in the lower half of the restaurant you are seated close to the cooking range, with chef proprietor Richard Smith at the sight of a Dover sole, made almost translucent by the heat, was mouth-watering

the grill. Smith, with an almost professorial demeanour, in chef's jacket, pin stripe trousers and half-moon glasses, ensures that all his raw ingredients are correctly oiled and seasoned before grilling. The sight of a whole Dover sole, made almost translucent by the heat from the charcoal underneath, was mouth-watering.

Main courses from the grill include steaks, salmon, calves liver, kidneys with black pud-

ding, bacon and a grain mustard sauce and a pan of crispy, rosti potatoes. From the kitchen come the starters – a salad of grilled goat's cheese, a spicy cuttlefish salad, mussels à la crème or a warm pigeon salad – and more intricate main courses. We could choose from a whole roast English red partridge, baked red mullet or a fillet of hake.

Puddings are gargantuan – an apple and blackcurrant crumble, meringues with Guernsey cream or a chocolate truffle cake. A wine list invites you to experiment by not charging you for what you leave in the bottle (so long as you drink at least half). Friendly waiting staff complete the picture and after lunch you can even walk along the river bank with the Smiths' companionable dog.

■ The Beetle & Wedge Hotel, Moulshof, Oxfordshire OX10 9JF. Tel: 01491-631381, fax 01491-651376. Ten rooms, B&B £75-£125. Restaurant £30-£35 per head, Boathouse £20-£25.

■ Altnaharra Inn, Ullapool 1V26 2SS, Scotland. Tel: 01854-633230, fax 01854-633303. Dinner, B&B and drinks will cost around £300 per couple.

Hunting for Perfection~



A finely balanced, deliciously smooth ale, with a subtle blend of flavours. A fitting reward for all who pursue perfection. Catch one at your local. Brewed by Morland of Abingdon. Est'd. 1711.

FARR VINTNERS

No-one sells more fine wine in the U.K.
We make it easy and profitable to sell your wine.
Cash or broking terms offered.
Contact Jonathan Stephens
Tel: 0171 828 1960
Fax: 0171 828 3500

CLARETS AND VINTAGE PORTS

WANTED
We are looking for a wine merchant to sell our clarets and vintage ports.
WILKINSON VINTNERS LIMITED
Fine Wine Merchants
Constance Rd London NW3 2LN

Sackford Wines

WANTED
VINTAGE PORT AND CLARET - CASH PAID
RICHARD HARVEY-JONES
Tel: 01473 626072
Fax: 01473 626004

LIZ SEEBER

Old Cookery, Food & Wine Books
Catalogue on Request
10 The Pinnacles, London SE3 0AB
Tel: 0181 852 7807 Fax: 0181 210 4675

Superb Wines Ltd
Fine and affordable red and white Burgundies.
For stockists,
tel: 0171-409 7276

VINEYARD FOR SALE
LANGUEDOC
35 Hectares of Vines
Mainly red - half AOC & half VDP
Maison de Maître
Own Cave - well equipped
Price: 3,000,000FF
Lettre & Land
Tel: (44) 0181 905 3065
Fax: (44) 0181 956 0381

FASHION

Designers who want to keep jeans on the march

Denim has its dedicated followers, says Tamasin Doe. And the manufacturers love it

In 1981, 15-year-old Brooke Shields breathed the words: "Nothing comes between me and my Calvin's" and 15m pairs of Calvin Klein jeans promptly marched out of the shops. It was a performance that beat the pants off Gloria Vanderbilt - the first to put her name on the pocket of her own jeans. Two years before she had sold 6m pairs.

But Calvin and Gloria between them had made jeans a sexy, upmarket garment. They took the symbol of western revolution out of Woodstock and put it into Studio 54, disco palace of bourgeois hedonism.

Status jeans, it seemed, were the future for designers of casual clothing. The denim industry had not looked so lively since the mid-19th century when the Strauss family sent younger brother Levi out west to make money from the Gold Rush. He started by trying to sell his heavy-duty canvas for tents in the Sunshine State; the miners told him that what they really needed were trousers.

The designer jeans business today is the antithesis of Levi's original canvas trousers held together with copper rivets - then they were proper working men's trousers. They are now as important to a designer's marketing strategy as a signature perfume.

Jeans are one of those happy few products, along with scent and hosiery, which allow the designer to sell large quantities without compromising his image. Nobody will forget the lesson of Pierre Cardin who put his signature to a frying pan.

Jeans are also a canny way of picking up teenage customers in the hope of fostering designer loyalty. "The jeans line will push brand awareness," says Robert Bensoussan, president of Christian Lacroix, which has just introduced a jeans line. "It will find another Lacroix customer - the 18-year-old who will be looking for more than a basic pair of jeans."

And they will certainly be getting more than a basic pair of jeans. Jeans de Christian Lacroix feature the same cultural cocktail that has endeared him to, and at times alienated him from, the rest of the fashion world - a heady mix of traditional cloth, highly embellished with Hawaiian flowers and Mexican embroideries. Lacroix explains further: "Let's say that I like to think that the 'denim' fabric comes from Nîmes, just as my family does."

Romeo Gigli, who has also joined the jeans-making ranks, also likes to cite his country's working history with the jeans trade as a reason for moving into designer denim (jeans were named after the home town of Genoese sailors who wore an early version of them).

American designer Todd Oldham, another newcomer to the market this autumn, joins the Europeans in moving on from the usual five-pocket, western

style jeans and a jean jacket - he has used the fabric to reinvent Oxford bags, with a high waist and loose legs designed to flap around in time to Northern Soul music.

All three designers have included tailored coats which could just as easily have been cut from camel-coloured wool - in other words denim is useful in providing designers with the perfect opportunity to produce other ranges in response to a recession in designer sales.

At a time when the market is flooded with designer versions of the standard five-pocket style that differ only slightly in cut, price and, of course, name, it seems obvious that designers have to move on. The style itself is simply a vehicle for the label and the logo.

There are fan clubs which care about these details. Members swear that when they spend an average £79 for their jeans they are receiving a unique product which could not be bettered by any other label.

Customer Rhona Daniels from North London is selecting her tenth pair of Armani jeans. "Nothing," she says, "suits me as well as these do. I did try Moschino once because my next door neighbour raves about hers but they weren't the same." Does Daniels wear ready-to-wear Armani? "When I can." Would anything persuade her to wear Moschino? "Not in a million years."

Although she agrees that both pairs are as comfortable as each other, the issue is actually about her not wanting to be seen as a Moschino woman. "If I'm wearing a white T-shirt and sneakers, that label will fill in the rest of the information about me. I want to give out the right impression," she says.

Adrian Moore, a Chelsea football club and a Valentino fan, agrees with her. "I've got to be honest, the label does matter to the boys. They'd laugh me out of a match if I turned up wearing Versace jeans."

Levi can fairly argue that when designers enter the jeans fray, they will simply be toying with 501s, the first and for many the best, the most authentic, jeans style.

As American as Raymond Loewy's Lucky Strike packet, anything after deep indigo shrink-to-fit 501s would seem to be tinkering with perfection. Levi isn't complaining. "It's great to have designers in this field. It keeps the denim market interesting," says Roy Edmondson, the company's marketing director.

Designers try to keep one step ahead by introducing innovations that would not be feasible for the mass-market. Armani, for instance, is launching a new range of recycled denim next spring and Versace offers a few extras which are built-in to make customers feel they have not simply bought a derivative of Strauss's invention.

These include a spare stud button



Levi Strauss can fairly argue that when designers enter the fray, they are toying with the authentic 501s, seen here for women at £49.99

and a hologrammed label designed to prevent counterfeiting. To make the counterfeiters' job really difficult, Versace also gives every pair its own identification number - which presumably can be registered at police stations along with the video recorder.

Evisu is a Japanese company that has set itself apart from the competition by charging £150 for each pair of jeans and feeding them so slowly into a few British outlets that they have acquired a cult status.

Another innovation this autumn is Miracle Boost jeans which promise to do for the bottom what the Wonderbra did for Eva Herzigova's chest. The

advertising campaign illustrates a *derrière* supported by a giant underwire bra, like a Vivienne Westwood folly.

But one Italian manufacturer talks of an impending down-turn in the popularity of the denim five-pocket style. Which explains why the new contenders, which hope to win a slice of the British market worth £1.2bn a year, are developing other garments.

One company which has taken an individual route is Gucci. Creative director Tom Ford's velvet hipster jeans for autumn have been walking out of the shop. "Every time we sell jeans in the collection we sell out," said a representative.

Street fight

Richard Rawlinson lines up the opposing sides

The equilibrium of Savile Row has been disturbed by a significant happening in New Bond Street.

The two world-famous clothes shopping streets run parallel to one another but they have never had a great deal in common. New Bond Street stands for chic high fashion with its line-up of ready-to-wear boutiques of international designers such as Chanel, Yves Saint Laurent, Gucci and Christian Lacroix. Savile Row is symbolic of timeless good taste with its roster of quintessentially English suitmakers such as Gieves and Hawkes, Huntsman, and Henry Poole.

However, proudly displayed in the window of the Polo Ralph Lauren store on New Bond Street is a new range of suits of such classical elegance and luxurious quality that the bespoke brigade could be forgiven for suspecting that the US designer is taking them on at their own game.

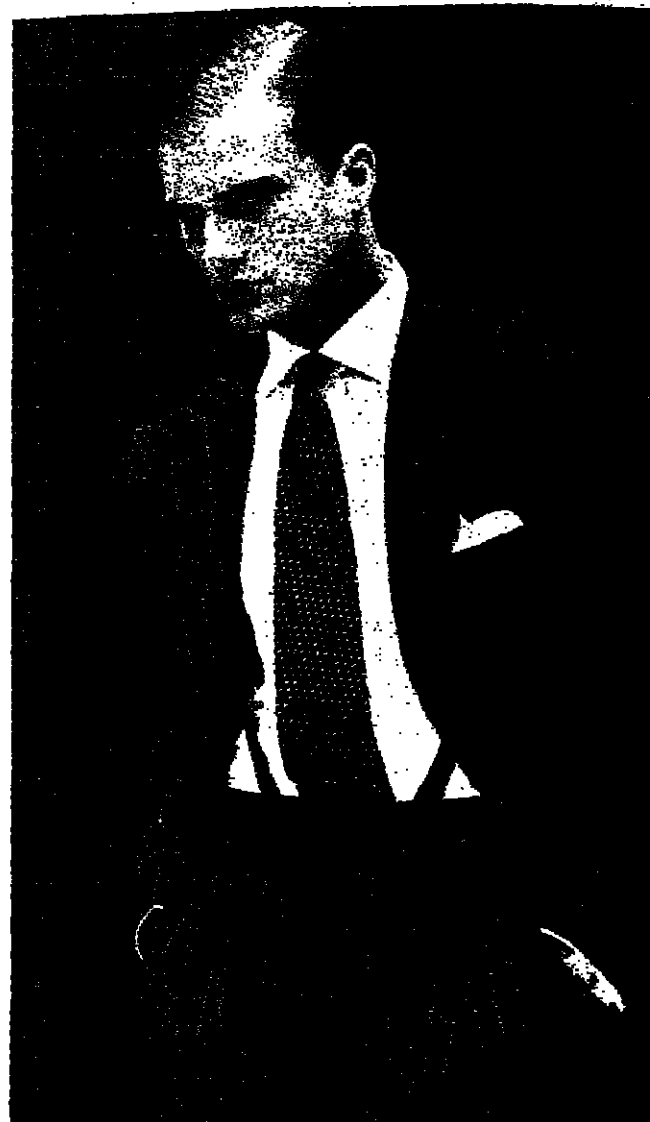
They have reason to be anxious. Lauren has just launched his Purple Label, a collection of suits combining the characteristics of custom-made tailoring with high style.

The finest cloth from English and Italian mills is cut and stitched by hand at the factory of the Savile Row tailor, Chester Barrie, for the Purple Label collection. Other bespoke details include working buttonholes on sleeves, a choice of lining, dress extension waistbands and a price tag of around £1,200.

But the suits' main appeal lies, not so much in the touches, but in the cut. Jacket shoulders are broad and sloped and the torso is narrow with high armholes and a decidedly clipped waist. Trousers are loose-fitting with pleated front and wide turn-up. This silhouette reminds one of the Duke of Windsor. Cary Grant and Hal Stewart's Gordon Gekko at the same time, a hybrid of aristocratic refinement, old-style Hollywood glamour and high finance flashiness, which somehow looks sophisticated and modern. Lauren says it makes a man look powerful and hip at the same time.

But the Purple Label suits are made to order rather than made to measure. The customer tries on ready-made samples in regular sizes, which can then be adjusted to fit his length and width. He can choose between double-breasted or single-breasted styles in navy, charcoal or black and fabric pattern options of plain flannel, glen plaid, beaded or chalk stripe.

Sir Hardy Amies, the men's and women's wear designer who this year celebrates his 50th anniversary on Savile Row, is among those who believes nothing beats a suit that has been built on the body layer by layer. He also claims to be nonplussed by Lauren's taste. "Ralph [which Sir Hardy pronounces Rafe] has given himself a magnificent image by



Charcoal chalkstripe wool/cashmere two-button suit from Ralph Lauren

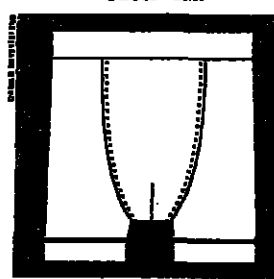
superb advertising," he says. "The whole ambience is of East Coast WASP. But double-breasted pinstripe is not WASP. It is nouveau-riche, fraudulent financier. I have always felt sympathetically towards Ralph, but why he has gone and copied the worst elements of Italian off-the-peg styling I cannot imagine."

Lauren did not reply to this criticism, but, in an interview with American GQ, the glossy magazine, he said: "There is more stress and aggravation in custom [made] suits [than made to order]. I have had custom suits that have not come out as good. The quality from our factory is more consistent."

It is true that a bespoke suit often provides unbeatable comfort and fit for those prepared to endure several sessions with the tailor. There is also no reason why custom-made suits cannot be as contemporary in shape as those from innovative and influential designers. While Savile Row is known for its ultra-traditional City and country clothes, its younger tailors, such as Richard James and Oswald Boateng, will make jackets and trousers in any colour and fabric, be it dandy green velvet or the aforementioned gangster pinstripe.

However, for some men, having to choose cut and cloth and communicate their preferences to a tailor is a hassle they can

The World's Finest Men's Underwear.



ZIMMERLI of SWITZERLAND. The classic line. Available in leading specialist mens haberdashery shops. Zimmerli Textil AG, CH-4603 Aarau, Phone: 062 41 41 41 Fax: 062 41 39 72.

BREITLING
1884



OLD NAVITIMER

NAVITIMER: ON COURSE AND ON TIME. With time a crucial aspect of air travel, pilots and navigators have long viewed their watch as their basic personal instrument. Even with today's sophisticated navigation satellites and radio beacons, "flight computers" like the NAVITIMER are still used for routine calculations. A slide rule of this kind is built into NAVITIMER mechanical chronographs. The pilot's sole personal instrument, today's NAVITIMERS are based on a design voted official watch of the Aircraft Owners & Pilots Association in 1952. Relentlessly improved since then, NAVITIMERS are totally efficient and fascinating to operate while their good looks remain as unmistakable as ever.

AVAILABLE FROM SELECTED JEWELLERS THROUGHOUT GREAT BRITAIN AND IRELAND. FOR YOUR NEAREST STOCKIST TELEPHONE 0171 637 5167.

INSTRUMENTS FOR PROFESSIONALS

FOR A LIMITED
PERIOD, HARRODS
OFFERS
24 MONTH INTEREST
FREE CREDIT.
0% APR.

Until Saturday 25th November 1995, you can take advantage of Harrods interest free credit at 0% APR. The offer is available on the Second and Third Floors for purchases over £1500. Please check in store for non-participating departments and full details. Harrods asks for a 25% deposit on special orders while current stock orders require a 10% deposit. The 12-month interest free credit for purchases over £500 currently advertised in store still applies. Written quotations are available on request. Credit agreements are subject to status.

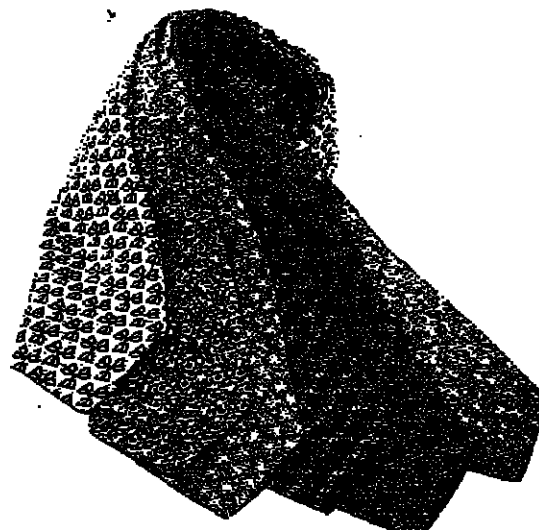
Harrods
KNIGHTSBRIDGE

Harrods Ltd., Knightsbridge, SW1X 7XL. Telephone: 0171-750 1234.

Typical example: cash price on current stock £2,000 deposit 10% of £200, 24 months payments of £75. Total credit price £2,000.

HERMÈS
PARIS

Hermès at 2/3 Royal Exchange, EC3



To celebrate the re-opening of our newly refurbished Royal Exchange boutique,

a famous Hermès tie or a bottle of our newest ladies' fragrance, '24 Faubourg' can now be yours if you predict the closing level of the FTSE 100 Index (to one decimal place) on Wednesday 1st November, 1995.

All entrants must visit the Hermès boutique at 2/3 Royal Exchange, EC3 to complete an entry card.

No purchases necessary. Opening hours: Monday to Friday 10.00am to 6.00pm. All correct entries will be winners.

Competition deadline: 6.00PM ON FRIDAY 27TH OCTOBER, 1995

HOW TO SPEND IT

A downtown for every sort of shopping

But visitors will be stunned by the number of zeros on the bill, says Emiko Terazono

The Japanese have not allowed themselves to be deterred by the continuing reports of gloom in the country's economy - shopping remains one of their national obsessions, along with karaoke and pachinko, the Japanese pinball game. The main shopping areas in central Tokyo are crowded at weekends as shoppers search for cheap imports and other bargains which have started to become available since recession hit.

But while prices for everyday goods have come down considerably, bargain hunting should not be on the visitors' agenda. In Tokyo, designer brands, antiques, art and other crafts remain luxuries even to ordinary Japanese. Visitors will still be stunned by the number of zeros on the bill and should plan their spending carefully.

Tokyo consists of a number of crowded "downtowns" each with an identity of its own. Getting around is easy via the subway system, which is clean, bright and cheap. Taxi drivers, on the other hand, tend to come from the country and often need directions; non-Japanese speakers are advised to ask a local to write down destinations for them.

If you are in search of Japanese designer brands, get off at Omotesando station in the western part of Tokyo. Lined with tall zelkova trees, Omotesando street, with its restaurants, Parisian style cafes and flagship boutiques for the leading Japanese designers, is the trendiest in Tokyo.

Although brand names such as Issey Miyake and Comme des Garçons tend to cost less than they would in Europe, this can be cancelled out by recent currency fluctuations. One note of caution is that while styles tend to be loose-fitting, the range of sizes can be limited. Tokyo stores usually stock small and medium

sizes, which can be a drawback for tall shoppers.

Issey Miyake's colourful Pleats Please line, which comes in one size intended to fit everyone, may be an answer. Although some of Tokyo's leading department stores started offering their own brand of permanently pleated clothes a few years ago, the designer, who has a patent on the pleats technology, threatened them with legal action. Issey's shirts, skirts and jackets, which are permanently crumpled rather than pleated, are also in fashion, although slightly more expensive.

Comme des Garçons' one-floor boutique, where jackets



and skirts made of plastics and wool are the newest fashion, is across the street from Issey. Shoppers looking for Yohji Yamamoto's boutique will find the dimly lit store further down the street. Although the interior is quite modern, with dark steel shafts and pillars, the atmosphere is almost medieval. The soft-spoken attendants, in their long dark Yohji numbers, glide around like nuns in their flowing robes.

A short walk from Yohji is Yoku Moku, a blue-tiled cafe which offers elaborate desserts and expensive coffees. Recently it has become trendy to sit in Café des Prés, an imitation of a French cafe, though in Tokyo passers-by seem to stare inside at the clientele rather than vice versa.

Another stylish café in the area is in the Spiral Building where there is also an art gallery on an elevated platform with modern Japanese and western art on show. The Spiral Market on the second floor has a selection of washi, or Japanese molded paper, pottery and chopsticks as well as fashionable trinkets from Europe and the US.

You do not have to be a fashion freak to appreciate Omotesando. In the basement of the Hanae Mori building, which offers a conservative collection for both sexes, shoppers can find a row of antique shops. Kikori is the most famous, with branches around Tokyo.

Gallery Kawano, in the back streets of Omotesando, offers a wide selection of silk antique kimonos made in the Meiji era of the late 19th century. Antique kimonos are cheaper compared with new kimonos because Japanese tend to avoid used clothing.

While the price of a new kimono can cost over ¥1m, Kawano's items range from about ¥2,800 to ¥46,000. Intricately woven silk obi, or sashes, can be bought for ¥4,000 to ¥18,000, and can be used for table centres or displays. Antique happi, the traditional cotton coat worn by merchants, are popular both with Japanese and foreign shoppers and the stock is declining.

Further down the street towards Harajuku is Oriental Bazaar. While its exterior looks a little touristy, it offers a good selection of pottery, kites and prints and remains a favourite among visitors and expatriates - Jean-Paul Gaultier was recently spotted shopping there.

A few stores down, Kiddyland, Japan's first toy shop, offers a convoluted array of toys, stationery and other gewgaws. Trying to choose from the store's vast range of goods can be daunting for adults. Some parents, attacked by



Antique kimonos on sale in Gallery Kawano: antique kimonos are cheaper than new because Japanese avoid used clothing

Photographs: Emiko Terazono

pangs of guilt when they see how little their child has compared with what's on offer, later regret buying so much.

Music aficionados must visit Tower Records in Shibuya which, according to the store manager, is the largest in the world - though he admits that it has yet to apply to the Guinness Book of Records. The chances of finding that long sought-after CD is quite high since it stocks about 450,000 CDs of 100,000 artists.

The Seibu department store offers the latest fashions for Tokyo's young crowd, and also offers Seed, for cutting edge design, and Loft, which has a wide selection of stationery, gifts and sportswear.

While in Shibuya, make time to visit the seven-storey Maruhan Pachinko Tower, which opened in July.

For the short-stay visitor, the most convenient places to shop are the department stores. Matsuya in Ginza, and Mitsukoshi, Takashimaya in Nishinabashi, are among some of the more traditional stores and offer a good selection of ceramics, lacquer wear and other souvenirs. The yukata, the cotton kimonos worn in the summer or for nightwear, can be had quite cheaply.

Shopping in the large department stores can be an experience. Get there for opening time and be greeted by bowing attendants. The elevators are "elevator girls" who announce each floor with squeaky child-like voices.

The high street retailers' elaborate floor plans are invariably in the basement. A wide range of expensive fresh and prepared foods including organic vegetables, delicate cakes, prepared food and boxed lunches can be bought. In the evenings, just before closing time, the atmosphere is that of a large outside market, with employees at booths selling produce which cannot be stored until the next day, shouting out discount offers.

Ginza is also home to Ito-Ya, a large department store specialising in stationery. It is famous for a wide selection of washi, or hand molded paper made from coarse woodpulp and bark fibre. The washi section, which is in one of the two annexes, offers over 2,600 different kinds of paper, including washi which can be put into computer printers, ranging from ¥26 to ¥2,000. Various items made from washi, including lamps and luncheon mats are also available.

One area where prices have

been particularly affected by the recession - in favour of the shopper - is electronic goods. Many audio retailers have been forced to shut up shop in Akihabara, the electronics goods centre, and prices of gadgets have dropped sharply.

Akihabara is one of the few places in Tokyo where shoppers haggle, and attendants normally agree to take 15 to 20 per cent off if cash is offered instead of credit cards. While Akihabara may equal Hong Kong or Singapore prices in some top Japanese brand names, shoppers are ill-advised to purchase computers and computer accessories, since prices are far higher than in the US or Europe. For duty-free purchases, remember to bring a passport.

Akihabara and the surrounding lower east part of Tokyo is part of Tokyo's shitamachi, or the downtown area of old Tokyo in the feudal ages. Ueno,

Asakusa are also part of shitamachi, along with Kanda and Jinbocho. Although much of the area lost its character during the development craze of the late 1980s, some small houses remain tucked away in the back streets.

One such traditional wooden structure is Yabuta, a soba restaurant in Kanda. In the Meiji era, customers took a dip in a bath in the bamboo garden, and ate soba - brown buckwheat noodles eaten dunked in soy-flavoured broth. The etiquette when eating noodles is to slurp. A favourite joke among Japanese about foreigners' reluctance to slurp is that they have some kind of physical deficiency.

Those seeking ukiyoe woodprints may find something in Jinbocho, the area for books, old and new, calligraphy and antique art. Book stores there

sell prints used as illustrations for old volumes of traditional texts.

Tohushai, a small print store, deals in authentic woodprints from the 18th and 19th centuries. Prices range from about ¥10,000, and can go as high as ¥5m, depending on condition. Reproductions are considerably cheaper at around ¥5,000 to ¥7,000. Prints made in the Meiji era, when Japan started to open up to outside influence, are gaining popularity. Most print stores in Jinbocho are closed on Sundays and national holidays.

In Ueno, browse through Ame-Yoko, or American Alley, the biggest black market area after the second world war. After the Korean War, the area became an outlet for surplus army goods. The street is reminiscent of its black market past, with jeans and leather goods stores sandwiched between fish stores selling

squid and chunks of salmon roe and candy and cookie wholesalers.

For the kitsch gift, go to Kappabashi for the plastic replica meals one sees in restaurants. The replicas are made by pouring wax over the real food to create a mold, into which plastic is then poured. It is tacky pop art - with a piece of sushi costing about ¥2,000, it makes an expensive souvenir.

In Ryogoku, the home of the sumo wrestler, visit sumo stables to watch the wrestlers in their morning training and look for sumo memorabilia. Have chanko, the traditional sumo hot-pot, which contains various kinds of meat, fish, vegetables and tofu, for dinner. Kawasaki, a chanko restaurant, has a real dohyo, a sumo wrestling ring.

■ There are approximately 158 yen to the pound sterling

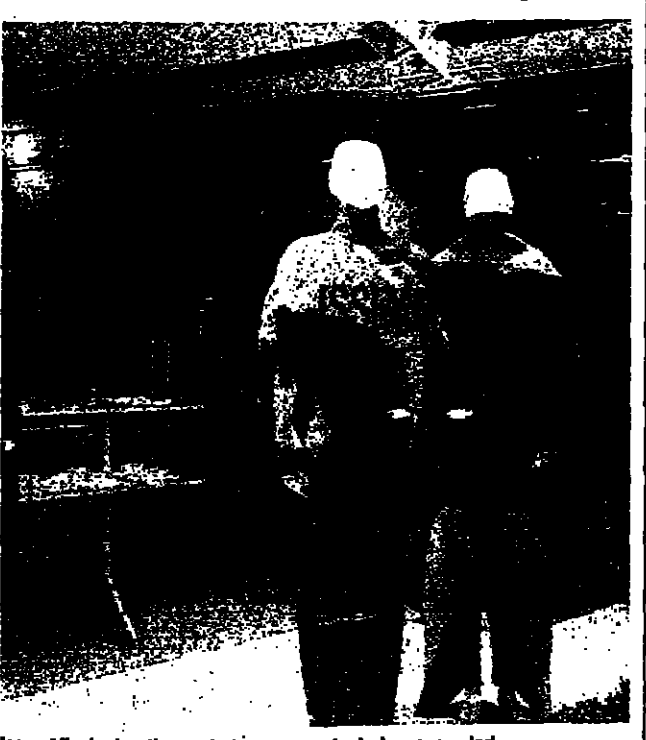
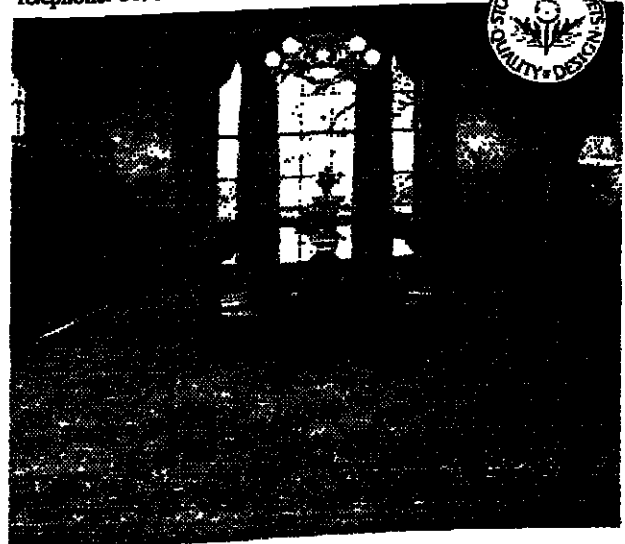


Ukiyoe print shop, Tohushai, sells authentic woodprints from the 18th and 19th centuries

EVERY CARPET WE MAKE IS UNIQUE

Our studio will work with you to tailor a traditional pattern to your taste or to create a totally new design. Please call us and make an appointment to visit our New Bond Street showroom.

Telephone: 0171-629 0626 Fax: 0171-409 2969



Issey Miyake boutique: clothes come pleated or crumpled



Vanessa Redgrave. Andrew Lloyd Webber. Jeremy Irons. Diana Rigg. Alan Rickman. Elaine Paige. Helen Mirren. Michael Gambon. Richard O'Brien. Tim Rice. Leo McKern. Joanna Lumley. Peter Hall. Juliet Stevenson. Julie Christie. Felicity Kendal. Anna Massey. Lionel Bart. Ian Holm. Michael Williams. Alan Bates. Kenneth Branagh. Simon Callow. Rupert Everett. Glenda Jackson. Alan Bennett. Tom Courtenay. Joan Plowright. Nicholas Hytner. Miranda Richardson. Griff Rhys Jones. Ian McKellen. Richard E. Grant. Peter O'Toole. Alec Guinness. Julia Ormond. Jonathan Pryce. Nigel Hawthorne. Ben Kingsley. Derek Jacobi. Phil Daniels. Maggie Smith. John Hurt. Harold Pinter. Imogen Stubbs. Daniel Day-Lewis. Timothy West. Jude Law. Alan Ayckbourn. Steven Berkoff. Natasha Richardson. Tom Stoppard. Ralph Fiennes. Prunella Scales. Peter Ustinov. Saskia Reeves. Judi Dench. Anthony Hopkins. John Gielgud. Photographed by Snowdon

VANITY FAIR applauds Britain's greatest stars
NOVEMBER ISSUE OUT NOW

TRAVEL

Selous game reserve / Ruaha National Park

A stroll among the lions and rhinos

Weekend FT writers go on an African safari, offering views on the best places to visit and how best to protect a fragile environment. Here, Lucia van der Post visits two camps in search of 'vanished freedom', far away from the camera-clicking crowds

Africa always has a surprise in store. "Come to the Selous in August," they said. "It's the best month of the year. Dry, not yet too hot, and animals are easily seen drinking at the rivers and lakes." It was, of course, tempting fate. We arrived in a thunderous downpour. The grass was green, the animals dispersed.

We had come because I had wanted to go to the Selous Game Reserve in Southern Tanzania for years. A vast wilderness roughly the size of Ireland, 52,000 square kilometres of Miombo woodland, savannah, marsh, lakes and dry sand rivers, it has fewer than 2,000 visitors a year and is one of the last remaining areas where you can have the sort of walking adventure that I had in mind.

There is a passage in Denys Reitz's classic book *Commanda*, on the Boer War, that never fails to make me homesick for the Africa I never knew. There he describes how in the South Africa of the late 1890s he and his brothers led a Tom-Sawyer-like existence "riding over the game-covered plains by day and sleeping under the stars at night, hunting, fishing and camping to our heart's content".

That, for me, sums up why many of us keep going back to Africa - to recapture that sense of vanished freedom. You will not find it in the big national game parks where you are confined to closed trucks and mini-buses; nor will you find it hunting a lion kill in the company of a horde of camera-toting, video-whirling fellow tourists. What you need are the hard-to-get-to places or the places where the facilities are a bit below par or there is

something like tsetse or the threat of a little bit of discomfort to keep the hordes at bay. But vanished freedom is definitely what we had come for and Bonham's speciality, Bonham (though only in his early 40s) is one of those old Africa hands who looks so at home in the bush, in his khaki shorts, gun in hand, that you feel something essential in him would die if he ever had to queue up for the number 11 bus.

Bonham now has his own camp and concession on the



The Ruaha: on no one's route to anywhere

North bank of the Rufiji - a small (just six cottages) and very upmarket camp called Sand Rivers perched overlooking the Rufiji river so that you wake to the sounds of snoring hippos, the cry of the fish eagle and the harsh racket of the badeda ibis.

You can fly straight into Sand River's own little airstrip from Dar-es-Salaam or you could do what we did, which is to ease your way in gently, divesting yourself of metropolitan angst by degrees, by stopping off first at a charming

tented camp called Mbuyini. It sits on a little promontory on a bend in the river and you can spend happy days tootling up and down the river learning to tell the grey heron from its black-headed near relation, picnicking beside the lakes fringed by Borassus palm trees and tracking the local pack of hunting dogs.

Then, if you are very very lucky, Bonham himself turns up to take you up-river by boat, drifting past the nesting storks and hippo pods, arriving in old-fashioned style at the wooden landing-stage of Sand River.

At Sand River you go on game drives through the 15 or so square miles of Bonham's private concession or you walk with a well-trained guide through the bush or you go on jaunts up the river sure of seeing hippo, crocodile, waterbuck and buffalo and hoping for a sighting of the rare Rock Pratincole or the even rarer leopard.

But, above all, you get the chance to sleep out on the sand river bank in a little mosquito net. We spent a magical 24 hours walking with Bonham and a game scout for miles along the sand river which we had entirely to ourselves.

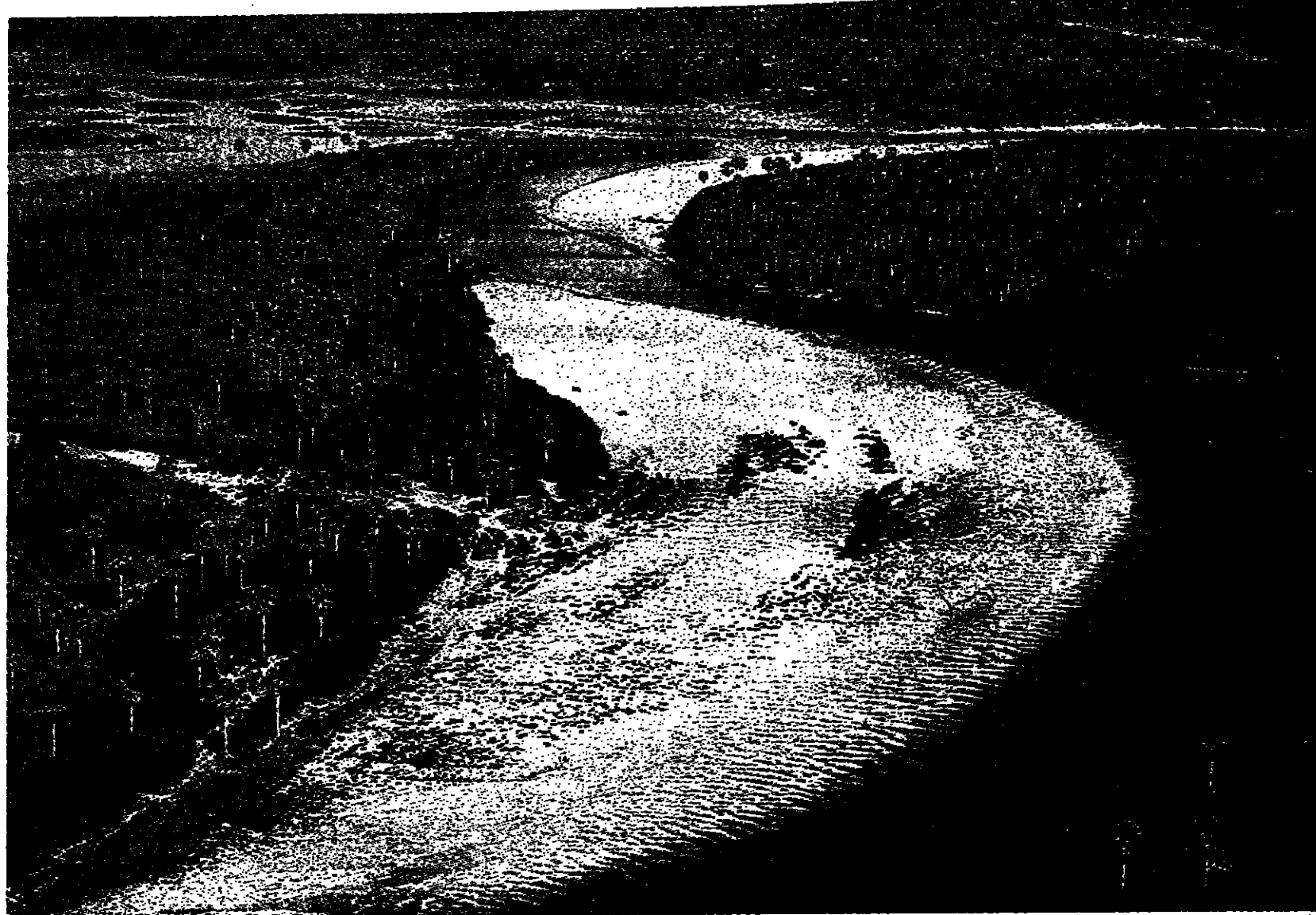
We went to sleep watching packs of hyena coming to feast on the bones of a dead buffalo by the light of the full moon and listening to that spine-chilling noise of the lion roaring in the distance.

At dawn we breakfasted on scrambled eggs and bacon and then set off to walk back to base, climbing up small hills for better views, sometimes resting quietly beside lakes decorated with drowned palm trees, watching a Goliath heron balancing precariously on the back of a hippo and flocks of open-billed stork circling high in the sky.

All this is just a taster for the real treat, the thing that makes Bonham's outfit special, which is his long portered walks into the Southern Selous. The Selous north of the Rufiji is wild by most people's standards - it has just six lodges (of which Mbuyini and Sand River are much the best) together catering for no more than 100 people at a time.

But that is crowded compared with the Selous south of the Rufiji. This is serious wilderness country, the country that Peter Matthiessen, Tom Arnold and a very young Bonham explored 16 years ago on what they dubbed the "last real safari" (and which Peter Matthiessen wrote about in *Sand River*). Here there are no lodges at all - just a few temporary tented camps in the hunting blocks and Bonham's occasional mobile camps.

For a usual minimum of two weeks (and the real luxury would be to have three or four) and a maximum of 10 people, you can truly enjoy that sense of vanished freedom - you can sleep under the stars, fish (but not hunt) and camp to your heart's content. With Bonham as your guide (and make no mistake - without him this would be a hazardous enterprise, for these are rivers in which you do not dangle so much as a toe and this is bush in which you could easily have a fatal encounter with an angry black rhino or a fiercely maternal lion) you can also walk - all day if it pleases you until you are ready to drop. He will take you on fly-camping trips up river, tracking



Serious wilderness: The Selous game reserve north of the river Rufiji is wild - but it is crowded compared to the south

black rhino or searching for hunting dog (now rare in the rest of Africa but still apparently thriving in the Selous).

The animals in this part of the Selous are shy, skittish and hard to see but the quality of what you see when you are on foot (just wait for the adrenaline surge when a hippo looms up in front of you and there is nowhere to hide) is so much more intense that you will, I promise, remember it forever. The real kick comes from the sense of being in the wild, of you and your little group being alone in areas little visited by man, with nothing but the earth, the animals, the sky and the water around you.

This kind of Tom Sawyer-like life does not come cheap - costs vary between \$350 and \$550 a day, depending upon the size of the party - but an extremely high level of comfort and food is conjured up in a well-run camp.

The Selous may be one of the greatest, least visited reserves in Africa but the Ruaha National Park must run it very close. Most people I mentioned

it to had never even heard of it. Keep it that way. Whisper its name very, very quietly, and only to those you know and trust. It is wild, unsophisticated, little visited. No smart lodges, no candlelit, black-tie dinners, very few vehicles. It is on no one's route to anywhere. You come only because you love the Ruaha.

There are no smart lodges, no black-tie dinners, and few vehicles in the Ruaha

The place to stay is Chris Fox's Mwagusi Safari Camp. There is also the 110-bed River Camp which is much nicer than it sounds because the cottages are tactfully deployed along the river but Mwagusi has that sense of intimacy, of quiet, of being surrounded by bush which are the hallmarks

of the camps I love best. Chris Fox comes from an old Tanzanian family and is regarded as so eccentric that on the African bush-telegraph he is known as that mad Mzungu (whiteman).

His little tented camp (just six) is pitched beside the almost empty Ruaha river bed and there, through our tent door we could watch the giraffe, the zebra, the baboons, come down to the sandy river to play as we drank our morning tea or had our afternoon siesta.

One amazing night we lay scarcely able to move as a lordly leopard gave a text-book rendition of its sawing cough along the river bed outside our tent for two or three hours.

By day you have adventures with Fox - he finds you cheetah (we watched three cocky adolescents up to no good for something like an hour and a half), lion prowling, rows of palm trees filled with nesting white-backed vultures, pairs of jackals hunting, impala, roan and sable antelope. If you want to walk he gets a game scout to

come along and you can climb up hills to find where the black eagles nest, you can walk along river beds tracking lion, have a sun-set amble along the river bed or walk along the rift valley escarpment.

After the sun goes down everybody gathers round the camp-fire as the gossip of the day is exchanged. Tales are told, the exploits grow wilder as the drink is passed round and you do not really want to be anywhere else in the world.

■ All three camps, Mbuyini, Sand River and Mwagusi Safari Camp can be booked through Abercrombie & Kent, Sloane Square House, Holborn Place, London SW1 8NS. Tel: 0171-730 9600. In addition Richard Bonham's portered walks in the Selous are normally for a minimum of two weeks but if there is enough interest he is exploring the possibility of organising a series of one-week trips. Anybody interested could contact his company directly at Nomad Safaris, PO Box 24132, Nairobi, Kenya. Fax: 254-2-832722.

SKIING

Xmas handed to you on a plate & beat those Boxing Day blues



- ◆ Christmas trees, snowmen and toboggans
- ◆ Traditional French and British festive fare
- ◆ Mince pies, smoked salmon, port and stilton
- ◆ Blue skies, fresh air and snow covered peaks

THE SKI COMPANY

The civilised way to spend Christmas. For a brochure call Abercrombie & Kent on 0171 730 5551

SCANDINAVIA

FROM 80% CHILD DISCOUNT

* GUARANTEED SNOW
* FLIES FROM STANSTED - MANCHESTER
* LIFT PASSES FROM £58
* LOG CABINS (Sleep up to 20 persons)
* 01455 202010

AUSTRALIA

Ultimate AUSTRALIA



FROM OPERA TO OUTBACK
Experience the Red Centre, the Great Barrier Reef, cities or rainforests. Let us tailor-make your holiday.

tel: 01284 762255

FOR DETAILS AND A BROCHURE

TRAVEL PORTFOLIO
73 CHURCHGATE STREET
BURY ST EDMUNDS IP33 1PL
01284 762255

OLYMPICS 96

1996 OLYMPIC GAMES

ATLANTA, GEORGIA

A large selection of quality accommodation available. One bedroom, two, three, four, five, six, seven, eight, nine, ten, eleven, twelve, thirteen, fourteen, fifteen, sixteen, seventeen, eighteen, nineteen, twenty, twenty-one, twenty-two, twenty-three, twenty-four, twenty-five, twenty-six, twenty-seven, twenty-eight, twenty-nine, thirty, thirty-one, thirty-two, thirty-three, thirty-four, thirty-five, thirty-six, thirty-seven, thirty-eight, thirty-nine, forty, forty-one, forty-two, forty-three, forty-four, forty-five, forty-six, forty-seven, forty-eight, forty-nine, fifty, fifty-one, fifty-two, fifty-three, fifty-four, fifty-five, fifty-six, fifty-seven, fifty-eight, fifty-nine, sixty, sixty-one, sixty-two, sixty-three, sixty-four, sixty-five, sixty-six, sixty-seven, sixty-eight, sixty-nine, seventy, seventy-one, seventy-two, seventy-three, seventy-four, seventy-five, seventy-six, seventy-seven, seventy-eight, seventy-nine, eighty, eighty-one, eighty-two, eighty-three, eighty-four, eighty-five, eighty-six, eighty-seven, eighty-eight, eighty-nine, ninety, ninety-one, ninety-two, ninety-three, ninety-four, ninety-five, ninety-six, ninety-seven, ninety-eight, ninety-nine, one hundred, one hundred and one, one hundred and two, one hundred and three, one hundred and four, one hundred and five, one hundred and six, one hundred and seven, one hundred and eight, one hundred and nine, one hundred and ten, one hundred and eleven, one hundred and twelve, one hundred and thirteen, one hundred and fourteen, one hundred and fifteen, one hundred and sixteen, one hundred and seventeen, one hundred and eighteen, one hundred and nineteen, one hundred and twenty, one hundred and twenty-one, one hundred and twenty-two, one hundred and twenty-three, one hundred and twenty-four, one hundred and twenty-five, one hundred and twenty-six, one hundred and twenty-seven, one hundred and twenty-eight, one hundred and twenty-nine, one hundred and thirty, one hundred and thirty-one, one hundred and thirty-two, one hundred and thirty-three, one hundred and thirty-four, one hundred and thirty-five, one hundred and thirty-six, one hundred and thirty-seven, one hundred and thirty-eight, one hundred and thirty-nine, one hundred and forty, one hundred and forty-one, one hundred and forty-two, one hundred and forty-three, one hundred and forty-four, one hundred and forty-five, one hundred and forty-six, one hundred and forty-seven, one hundred and forty-eight, one hundred and forty-nine, one hundred and fifty, one hundred and fifty-one, one hundred and fifty-two, one hundred and fifty-three, one hundred and fifty-four, one hundred and fifty-five, one hundred and fifty-six, one hundred and fifty-seven, one hundred and fifty-eight, one hundred and fifty-nine, one hundred and sixty, one hundred and sixty-one, one hundred and sixty-two, one hundred and sixty-three, one hundred and sixty-four, one hundred and sixty-five, one hundred and sixty-six, one hundred and sixty-seven, one hundred and sixty-eight, one hundred and sixty-nine, one hundred and seventy, one hundred and seventy-one, one hundred and seventy-two, one hundred and seventy-three, one hundred and seventy-four, one hundred and seventy-five, one hundred and seventy-six, one hundred and seventy-seven, one hundred and seventy-eight, one hundred and seventy-nine, one hundred and eighty, one hundred and eighty-one, one hundred and eighty-two, one hundred and eighty-three, one hundred and eighty-four, one hundred and eighty-five, one hundred and eighty-six, one hundred and eighty-seven, one hundred and eighty-eight, one hundred and eighty-nine, one hundred and ninety, one hundred and ninety-one, one hundred and ninety-two, one hundred and ninety-three, one hundred and ninety-four, one hundred and ninety-five, one hundred and ninety-six, one hundred and ninety-seven, one hundred and ninety-eight, one hundred and ninety-nine, two hundred, two hundred and one, two hundred and two, two hundred and three, two hundred and four, two hundred and five, two hundred and six, two hundred and seven, two hundred and eight, two hundred and nine, two hundred and ten, two hundred and eleven, two hundred and twelve, two hundred and thirteen, two hundred and fourteen, two hundred and fifteen, two hundred and sixteen, two hundred and seventeen, two hundred and eighteen, two hundred and nineteen, two hundred and twenty, two hundred and twenty-one, two hundred and twenty-two, two hundred and twenty-three, two hundred and twenty-four, two hundred and twenty-five, two hundred and twenty-six, two hundred and twenty-seven, two hundred and twenty-eight, two hundred and twenty-nine, two hundred and thirty, two hundred and thirty-one, two hundred and thirty-two, two hundred and thirty-three, two hundred and thirty-four, two hundred and thirty-five, two hundred and thirty-six, two hundred and thirty-seven, two hundred and thirty-eight, two hundred and thirty-nine, two hundred and forty, two hundred and forty-one, two hundred and forty-two, two hundred and forty-three, two hundred and forty-four, two hundred and forty-five, two hundred and forty-six, two hundred and forty-seven, two hundred and forty-eight, two hundred and forty-nine, two hundred and fifty, two hundred and fifty-one, two hundred and fifty-two, two hundred and fifty-three, two hundred and fifty-four, two hundred and fifty-five, two hundred and fifty-six, two hundred and fifty-seven, two hundred and fifty-eight, two hundred and fifty-nine, two hundred and sixty, two hundred and sixty-one, two hundred and sixty-two, two hundred and sixty-three, two hundred and sixty-four, two hundred and sixty-five, two hundred and sixty-six, two hundred and sixty-seven, two hundred and sixty-eight, two hundred and sixty-nine, two hundred and seventy, two hundred and seventy-one, two hundred and seventy-two, two hundred and seventy-three, two hundred and seventy-four, two hundred and seventy-five, two hundred and seventy-six, two hundred and seventy-seven, two hundred and seventy-eight, two hundred and seventy-nine, two hundred and eighty, two hundred and eighty-one, two hundred and eighty-two, two hundred and eighty-three, two hundred and eighty-four, two hundred and eighty-five, two hundred and eighty-six, two hundred and eighty-seven, two hundred and eighty-eight, two hundred and eighty-nine, two hundred and ninety, two hundred and ninety-one, two hundred and ninety-two, two hundred and ninety-three, two hundred and ninety-four, two hundred and ninety-five, two hundred and ninety-six, two hundred and ninety-seven, two hundred and ninety-eight, two hundred and ninety-nine, three hundred, three hundred and one, three hundred and two, three hundred and three, three hundred and four, three hundred and five, three hundred and six, three hundred and seven, three hundred and eight, three hundred and nine, three hundred and ten, three hundred and eleven, three hundred and twelve, three hundred and thirteen, three hundred and fourteen, three hundred and fifteen, three hundred and sixteen, three hundred and seventeen, three hundred and eighteen, three hundred and nineteen, three hundred and twenty, three hundred and twenty-one, three hundred and twenty-two, three hundred and twenty-three, three hundred and twenty-four, three hundred and twenty-five, three hundred and twenty-six, three hundred and twenty-seven, three hundred and twenty-eight, three hundred and twenty-nine, three hundred and thirty, three hundred and thirty-one, three hundred and thirty-two, three hundred and thirty-three, three hundred and thirty-four, three hundred and thirty-five, three hundred and thirty-six, three hundred and thirty-seven, three hundred and thirty-eight, three hundred and thirty-nine, three hundred and forty, three hundred and forty-one, three hundred and forty-two, three hundred and forty-three, three hundred and forty-four, three hundred and forty-five, three hundred and forty-six, three hundred and forty-seven, three hundred and forty-eight, three hundred and forty-nine, three hundred and fifty, three hundred and fifty-one, three hundred and fifty-two, three hundred and fifty-three, three hundred and fifty-four, three hundred and fifty-five, three hundred and fifty-six, three hundred and fifty-seven, three hundred and fifty-eight, three hundred and fifty-nine, three hundred and sixty, three hundred and sixty-one, three hundred and sixty-two, three hundred and sixty-three, three hundred and sixty-four, three hundred and sixty-five, three hundred and sixty-six, three hundred and sixty-seven, three hundred and sixty-eight, three hundred and sixty-nine, three hundred and seventy, three hundred and seventy-one, three hundred and seventy-two, three hundred and seventy-three, three hundred and seventy-four, three hundred and seventy-five, three hundred and seventy-six, three hundred and seventy-seven, three hundred and seventy-eight, three hundred and seventy-nine, three hundred and eighty, three hundred and eighty-one, three hundred and eighty-two, three hundred and eighty-three, three hundred and eighty-four, three hundred and eighty-five, three hundred and eighty-six, three hundred and eighty-seven, three hundred and eighty-eight, three hundred and eighty-nine, three hundred and ninety, three hundred and ninety-one, three hundred and ninety-two, three hundred and ninety-three, three hundred and ninety-four, three hundred and ninety-five, three hundred and ninety-six, three hundred and ninety-seven, three hundred and ninety-eight, three hundred and ninety-nine, four hundred, four hundred and one, four hundred and two, four hundred and three, four hundred and four, four hundred and five, four hundred and six, four hundred and seven, four hundred and eight, four hundred and nine, four hundred and ten, four hundred and eleven, four hundred and twelve, four hundred and thirteen, four hundred and fourteen, four hundred and fifteen, four hundred and sixteen, four hundred and seventeen, four hundred and eighteen, four hundred and nineteen, four hundred and twenty, four hundred and twenty-one, four hundred and twenty-two, four hundred and twenty-three, four hundred and twenty-four, four hundred and twenty-five, four hundred and twenty-six, four hundred and twenty-seven, four hundred and twenty-eight, four hundred and twenty-nine, four hundred and thirty, four hundred and thirty-one, four hundred and thirty-two, four hundred and thirty-three, four hundred and thirty-four, four hundred and thirty-five, four hundred and thirty-six, four hundred and thirty-seven, four hundred and thirty-eight, four hundred and thirty-nine, four hundred and forty, four hundred and forty-one, four hundred and forty-two, four hundred and forty-three, four hundred and forty-four, four hundred and forty-five, four hundred and forty-six, four hundred and forty-seven, four hundred and forty-eight, four hundred and forty-nine, four hundred and fifty, four hundred and fifty-one, four hundred and fifty-two, four hundred and fifty-three, four hundred and fifty-four, four hundred and fifty-five, four hundred and fifty-six, four hundred and fifty-seven, four hundred and fifty-eight, four hundred and fifty-nine, four hundred and sixty, four hundred and sixty-one, four hundred and sixty-two, four hundred and sixty-three, four hundred and sixty-four, four hundred and sixty-five, four hundred and sixty-six, four hundred and sixty-seven, four hundred and sixty-eight, four hundred and sixty-nine, four hundred and seventy, four hundred and seventy-one, four hundred and seventy-two, four hundred and seventy-three, four hundred and seventy-four, four hundred and seventy-five, four hundred and seventy-six, four hundred and seventy-seven, four hundred and seventy-eight, four hundred and seventy-nine, four hundred and eighty, four hundred and eighty-one, four hundred and eighty-two, four hundred and eighty-three, four hundred and eighty-four, four hundred and eighty-five, four hundred and eighty-six, four hundred and eighty-seven, four hundred and eighty-eight, four hundred and eighty-nine, four hundred and ninety, four hundred and ninety-one, four hundred and ninety-two, four hundred and ninety-three, four hundred and ninety-four, four hundred and ninety-five, four hundred and ninety-six, four hundred and ninety-seven, four hundred and ninety-eight, four hundred and ninety-nine, five hundred, five hundred and one, five hundred and two, five hundred and three, five hundred and four, five hundred and five, five hundred and six, five hundred and seven, five hundred and eight, five hundred and nine, five hundred and ten, five hundred and eleven, five hundred and twelve, five hundred and thirteen, five hundred and fourteen, five hundred and fifteen, five hundred and sixteen, five hundred and seventeen, five hundred and eighteen, five hundred and nineteen, five hundred and twenty, five hundred and twenty-one, five hundred and twenty-two, five hundred and twenty-three, five hundred and twenty-four, five hundred and twenty-five, five hundred and twenty-six, five hundred and twenty-seven, five hundred and twenty-eight, five hundred and twenty-nine, five hundred and thirty, five hundred and thirty-one, five hundred and thirty-two, five hundred and thirty-three, five hundred and thirty-four, five hundred and thirty-five, five hundred and thirty-six, five hundred and thirty-seven, five hundred and thirty-eight, five hundred and thirty-nine, five hundred and forty, five hundred and forty-one, five hundred and forty-two, five hundred and forty-three, five hundred and forty-four, five hundred and forty-five, five hundred and forty-six, five hundred and forty-seven, five hundred and forty-eight, five hundred and forty-nine, five hundred and fifty, five hundred and fifty-one, five hundred and fifty-two, five hundred and fifty-three, five hundred and fifty-four, five hundred and fifty-five, five hundred and fifty-six, five hundred and fifty-seven, five hundred and fifty-eight, five hundred and fifty-nine, five hundred and sixty, five hundred and sixty-one, five hundred and sixty-two, five hundred and sixty-three, five hundred and sixty-four, five hundred and sixty-five, five hundred and sixty-six, five hundred and sixty-seven, five hundred and sixty-eight, five hundred and sixty-nine, five hundred and seventy, five hundred and seventy-one, five hundred and seventy-two, five hundred and seventy-three, five hundred and seventy-four, five hundred and seventy-five, five hundred and seventy-six, five hundred and seventy-seven, five hundred and seventy-eight, five hundred and seventy-nine, five hundred and eighty, five hundred and eighty-one, five hundred and eighty-two, five hundred and eighty-three, five hundred and eighty-four, five hundred and eighty-five, five hundred and eighty-six, five hundred and eighty-seven, five hundred and eighty-eight, five hundred and eighty-nine, five hundred and ninety, five hundred and ninety-one, five hundred and ninety-two, five hundred and ninety-three, five hundred and ninety-four, five hundred and ninety-five, five hundred and ninety-six, five hundred and ninety-seven, five hundred and ninety-eight, five hundred and ninety-nine, six hundred, six hundred and one, six hundred and two, six hundred and three, six hundred and four, six hundred and five, six hundred and six, six hundred and seven, six hundred and eight, six hundred and nine, six hundred and ten, six hundred and eleven, six hundred and twelve, six hundred and thirteen, six hundred and fourteen, six hundred and fifteen, six hundred and sixteen, six hundred and seventeen, six hundred and eighteen, six hundred and nineteen, six hundred and twenty, six hundred and twenty-one, six hundred and twenty-two, six hundred and twenty-three, six hundred and twenty-four, six hundred and twenty-five, six hundred and twenty-six, six hundred and twenty-seven, six hundred and twenty-eight, six hundred and twenty-nine, six hundred and thirty, six hundred and thirty-one, six hundred and thirty-two, six hundred and thirty-three, six hundred and thirty-four, six hundred and thirty-five, six hundred and thirty-six, six hundred and thirty-seven, six hundred and thirty-eight, six hundred and thirty-nine, six hundred and forty, six hundred and forty-one, six hundred and forty-two, six hundred and forty-three, six hundred and forty-four, six hundred and forty-five, six hundred and forty-six, six hundred and forty-seven, six hundred and forty-eight, six hundred and forty-nine, six hundred and fifty, six hundred and fifty-one, six hundred and fifty-two, six hundred and fifty-three, six hundred and fifty-four, six hundred and fifty-five, six hundred and fifty-six, six hundred and fifty-seven, six hundred and fifty-eight, six hundred and fifty-nine, six hundred and sixty, six hundred and sixty-one, six hundred and sixty-two, six hundred and sixty-three, six hundred and sixty-four, six hundred and sixty-five, six hundred and sixty-six, six hundred and sixty-seven, six hundred and sixty-eight, six hundred and sixty-nine, six hundred and seventy, six hundred and seventy-one, six hundred and seventy-two, six hundred and seventy-three, six hundred and seventy-four, six hundred and seventy-five, six hundred and seventy-six, six hundred and seventy-seven, six hundred and seventy-eight, six hundred and seventy-nine, six hundred and eighty, six hundred and eighty-one, six hundred and eighty-two, six hundred and eighty-three, six hundred and eighty-four, six hundred and eighty-five, six hundred and eighty-six, six hundred and eighty-seven, six hundred and eighty-eight, six hundred and eighty-nine, six hundred and ninety, six hundred and ninety-one, six hundred and ninety-two, six hundred and ninety-three, six hundred and ninety-four, six hundred and ninety-five, six hundred and ninety-six, six hundred and ninety-seven, six hundred and ninety-eight, six hundred and ninety-nine, seven hundred, seven hundred and one, seven hundred and two, seven hundred and three, seven hundred and four, seven hundred and five, seven hundred and six, seven hundred and seven, seven hundred and eight, seven hundred and nine, seven hundred and ten, seven hundred and eleven, seven hundred and twelve, seven hundred and thirteen, seven hundred and fourteen, seven hundred and fifteen, seven hundred and sixteen, seven hundred and seventeen, seven hundred and eighteen, seven hundred and nineteen, seven hundred and twenty, seven hundred and twenty-one, seven hundred and twenty-two, seven hundred and twenty-three, seven hundred and twenty-four, seven hundred and twenty-five, seven hundred and twenty-six, seven hundred and twenty-seven, seven hundred and twenty-eight, seven hundred and twenty-nine, seven hundred and thirty, seven hundred and thirty-one, seven hundred and thirty-two, seven hundred and thirty-three, seven hundred and thirty-four, seven hundred and thirty-five, seven hundred and thirty-six, seven hundred and thirty-seven, seven hundred and thirty-eight, seven hundred and thirty-nine, seven hundred and forty, seven hundred and forty-one, seven hundred and forty-two, seven hundred and forty-three, seven hundred and forty-four, seven hundred and forty-five, seven hundred and forty-six, seven hundred and forty-seven, seven hundred and forty-eight, seven hundred and forty-nine, seven hundred and fifty, seven hundred and fifty-one, seven hundred and fifty-two, seven hundred and fifty-three, seven hundred and fifty-four, seven hundred and fifty-five, seven hundred and fifty-six, seven hundred and fifty-seven, seven hundred and fifty-eight, seven hundred and fifty-nine, seven hundred and sixty, seven hundred and sixty-one, seven hundred and sixty-two, seven hundred and sixty-three, seven hundred and sixty-four, seven hundred and sixty-five, seven hundred and sixty-six, seven hundred and sixty-seven, seven hundred and sixty-eight, seven hundred and sixty-nine, seven hundred and seventy, seven hundred and seventy-one, seven hundred and seventy-two, seven hundred and seventy-three, seven hundred and seventy-four, seven hundred and seventy-five, seven hundred and seventy-six, seven hundred and seventy-seven, seven hundred and seventy-eight, seven hundred and seventy-nine, seven hundred and eighty, seven hundred and eighty-one, seven hundred and eighty-two, seven hundred and eighty-three, seven hundred and eighty-four, seven hundred and eighty-five, seven hundred and eighty-six, seven hundred and eighty-seven, seven hundred and eighty-eight, seven hundred and eighty-nine, seven hundred and ninety, seven hundred and ninety-one, seven hundred and ninety-two, seven hundred and ninety-three, seven hundred and ninety-four, seven hundred and ninety-five, seven hundred and ninety-six, seven hundred and ninety-seven, seven hundred and ninety-eight, seven hundred and ninety-nine, eight hundred, eight hundred and one, eight hundred and two, eight hundred and three, eight hundred and four, eight hundred and five, eight hundred and six, eight hundred and seven, eight hundred and eight, eight hundred and nine, eight hundred and ten, eight hundred and eleven, eight hundred and twelve, eight hundred and thirteen, eight hundred and fourteen, eight hundred and fifteen, eight hundred and sixteen, eight hundred and seventeen, eight hundred and eighteen, eight hundred and nineteen, eight hundred and twenty, eight hundred and twenty-one, eight hundred and twenty-two, eight hundred and twenty-three, eight hundred and twenty-four, eight hundred and twenty-five, eight hundred and twenty-six, eight hundred and twenty-seven, eight hundred and twenty-eight, eight hundred and twenty-nine, eight hundred and thirty, eight hundred and thirty-one, eight hundred and thirty-two, eight hundred and thirty-three, eight hundred and thirty-four, eight hundred and thirty-five, eight hundred and thirty-six, eight hundred and thirty-seven, eight hundred and thirty-eight, eight hundred and thirty-nine, eight hundred and forty, eight hundred and forty-one, eight hundred and forty-two, eight hundred and forty-three, eight hundred and forty-four, eight hundred and forty-five, eight hundred and forty-six, eight hundred and forty-seven, eight hundred and forty-eight, eight hundred and forty-nine, eight hundred and fifty, eight hundred and fifty-one, eight hundred and fifty-two, eight hundred and fifty-three, eight hundred and fifty-four, eight hundred and fifty-five, eight hundred and fifty-six, eight hundred and fifty-seven, eight hundred and fifty-eight, eight hundred and fifty-nine, eight hundred and sixty, eight hundred and sixty-one, eight hundred and sixty-two, eight hundred and sixty-three, eight hundred and sixty-four, eight hundred and sixty-five, eight hundred and sixty-six, eight hundred and sixty-seven, eight hundred and sixty-eight, eight hundred and sixty-nine, eight hundred and seventy, eight hundred and seventy-one, eight hundred and seventy-two, eight hundred and seventy-three, eight hundred and seventy-four, eight hundred and seventy-five, eight hundred and seventy-six, eight hundred and seventy-seven, eight hundred and seventy-eight, eight hundred and seventy-nine, eight hundred and eighty, eight hundred and eighty-one, eight hundred and eighty-two, eight hundred and eighty-three, eight hundred and eighty-four, eight hundred and eighty-five, eight hundred and eighty-six, eight hundred and eighty-seven, eight hundred and eighty-eight, eight hundred and eighty-nine, eight hundred and ninety, eight hundred and ninety-one, eight hundred and ninety-two, eight hundred and ninety-three, eight hundred and ninety-four, eight hundred and ninety-five, eight hundred and ninety-six, eight hundred and ninety-seven, eight hundred and ninety-eight, eight hundred and ninety-nine, nine hundred, nine hundred and one, nine hundred and two, nine hundred and three, nine hundred and four, nine hundred and five, nine hundred and six, nine hundred and seven, nine hundred and eight, nine hundred and nine, nine hundred and ten, nine hundred and eleven, nine hundred and twelve, nine hundred and thirteen, nine hundred and fourteen, nine hundred and fifteen, nine hundred and sixteen, nine hundred and seventeen, nine hundred and eighteen, nine hundred and nineteen, nine hundred and twenty, nine hundred and twenty-one, nine hundred and twenty-two, nine hundred and twenty-three, nine hundred and twenty-four, nine hundred and twenty-five, nine hundred and twenty-six, nine hundred and twenty-seven, nine hundred and twenty-eight, nine hundred and twenty-nine, nine hundred and thirty, nine hundred and thirty-one, nine hundred and thirty-two, nine hundred and thirty-three, nine hundred and thirty-four, nine hundred and thirty-five, nine hundred and thirty-six, nine hundred and thirty-seven, nine hundred and thirty-eight, nine hundred and thirty-nine, nine hundred and forty, nine hundred and forty-one, nine hundred and forty-two, nine hundred and forty-three, nine hundred and forty-four, nine hundred and forty-five, nine hundred and forty-six, nine hundred and forty-seven, nine hundred and forty-eight, nine hundred and forty-nine, nine hundred and fifty, nine hundred and fifty-one, nine hundred and fifty-two, nine hundred and fifty-three, nine hundred and fifty-four, nine hundred and fifty-five, nine hundred and fifty-six, nine hundred and fifty-seven, nine hundred and fifty-eight, nine hundred and fifty-nine, nine hundred and sixty, nine hundred and sixty-one, nine hundred and sixty-two, nine hundred and sixty-three, nine hundred and sixty-four, nine hundred and sixty-five, nine hundred and sixty-six, nine hundred and sixty-seven, nine hundred and sixty-eight, nine hundred and sixty-nine, nine hundred and seventy, nine hundred and seventy-one, nine hundred and seventy-two, nine hundred and seventy-three, nine hundred and seventy-four, nine hundred and seventy-five, nine hundred and seventy-six, nine hundred and seventy-seven, nine hundred and seventy-eight, nine hundred and seventy-nine, nine hundred and eighty, nine hundred and eighty-one, nine hundred and eighty-two, nine hundred and eighty-three, nine hundred and eighty-four, nine hundred and eighty-five, nine hundred and eighty-six, nine hundred and eighty-seven, nine hundred and eighty-eight, nine hundred and eighty-nine, nine hundred and ninety, nine hundred and ninety-one, nine hundred and ninety-two, nine hundred and ninety-three, nine hundred and ninety-four, nine hundred and ninety-five, nine hundred and ninety-six, nine hundred and ninety-seven, nine hundred and ninety-eight, nine hundred and ninety-nine, one thousand, one thousand and one, one thousand and two, one thousand and three, one thousand and four, one thousand and five, one thousand and six, one thousand and seven, one thousand and eight, one thousand and nine, one thousand and ten, one thousand and eleven, one thousand and twelve, one thousand and thirteen, one thousand and fourteen, one thousand and fifteen, one thousand and sixteen, one thousand and seventeen, one thousand and eighteen, one thousand and nineteen, one thousand and twenty, one thousand and twenty-one, one thousand and twenty-two, one thousand and twenty-three, one thousand and twenty-four, one thousand and twenty-five, one thousand and twenty-six, one thousand and twenty-seven, one thousand and twenty-eight, one thousand and twenty-nine, one thousand and thirty, one thousand and thirty-one, one thousand and thirty-two, one thousand and thirty-three, one thousand and thirty-four, one thousand and thirty-five, one thousand and thirty-six, one thousand and thirty-seven, one thousand and thirty-eight, one thousand and thirty-nine, one thousand and forty, one thousand and forty-one, one thousand and forty-two, one thousand and forty-three, one thousand and forty-four, one thousand and forty-five, one thousand and forty-six, one thousand and forty-seven, one thousand and forty-eight, one thousand and forty-nine, one thousand and fifty, one thousand and fifty-one, one thousand and fifty-two, one thousand and fifty-three, one thousand and fifty-four, one thousand and fifty-five, one thousand and fifty-six, one thousand and fifty-seven, one thousand and fifty-eight, one thousand and fifty-nine, one thousand and sixty, one thousand and sixty-one, one thousand and sixty-two, one thousand and sixty-three, one thousand and sixty-four, one thousand and sixty-five, one thousand and sixty-six, one thousand and sixty-seven, one thousand and sixty-eight, one thousand and sixty-nine, one thousand and seventy, one thousand and seventy-one, one thousand and seventy-two, one thousand and seventy-three, one thousand and seventy-four, one thousand and seventy-five, one thousand and seventy-six, one thousand and seventy-seven, one thousand and seventy-eight, one thousand and seventy-nine, one thousand and eighty, one thousand and eighty-one, one thousand and eighty-two, one thousand and eighty-three, one thousand and eighty-four, one thousand and eighty-five, one thousand and eighty-six, one thousand and eighty-seven, one thousand and eighty-eight, one thousand and eighty-nine, one thousand and ninety, one thousand and ninety-one, one thousand and ninety-two, one thousand and ninety-three, one thousand and ninety-four, one thousand and ninety-five, one thousand and ninety-six, one thousand and ninety-seven, one thousand and ninety-eight, one thousand and ninety-nine, two thousand, two thousand and one, two thousand and two, two thousand and three, two thousand and four, two thousand and five, two thousand and six, two thousand and seven, two thousand and eight, two thousand and nine, two thousand and ten, two thousand and eleven, two thousand and twelve, two thousand and thirteen, two thousand and fourteen, two thousand and fifteen, two thousand and sixteen, two thousand and seventeen, two thousand and eighteen, two thousand and nineteen, two thousand and twenty, two thousand and twenty-one, two thousand and twenty-two, two thousand and twenty-three, two thousand and twenty-four, two thousand and twenty-five, two thousand and twenty-six, two thousand and twenty-seven, two thousand and twenty-eight, two thousand and twenty-nine, two thousand and thirty, two thousand and thirty-one, two thousand and thirty-two, two thousand and thirty-three, two thousand and thirty-four, two thousand and thirty-five, two thousand and thirty-six, two thousand and thirty-seven, two thousand and thirty-eight, two thousand and thirty-nine, two thousand and forty, two thousand and forty-one, two thousand and forty-two, two thousand and forty-three, two thousand and forty-four, two thousand and forty-five, two thousand and forty-six, two thousand and forty-seven, two thousand and forty-eight, two thousand and forty-nine, two thousand and fifty, two thousand and fifty-one, two thousand and fifty-two, two thousand and fifty-three, two thousand and fifty-four, two thousand and fifty-five, two thousand and fifty-six, two thousand and fifty-seven, two thousand and fifty-eight, two thousand and fifty-nine, two thousand and sixty, two thousand and sixty-one, two thousand and sixty-two, two thousand and sixty-three, two thousand and sixty-four, two thousand and sixty-five, two thousand and sixty-six, two thousand and sixty-seven, two thousand and sixty-eight, two thousand and sixty-nine, two thousand and seventy, two thousand and seventy-one, two thousand and seventy-two, two thousand and seventy-three, two thousand and seventy-four, two thousand and seventy-five, two thousand and seventy-six, two thousand and seventy-seven, two thousand and seventy-eight, two thousand and seventy-nine, two thousand and eighty, two thousand and eighty-one, two thousand and eighty-two, two thousand and eighty-three, two thousand and eighty-four, two thousand and eighty-five, two thousand and eighty-six, two thousand and eighty-seven, two thousand and eighty-eight, two thousand and eighty-nine, two thousand and ninety, two thousand and ninety-one, two thousand and ninety-two, two thousand and ninety-three, two thousand and ninety-four, two thousand and ninety-five, two thousand and ninety-six, two thousand and ninety-seven, two thousand and ninety-eight, two thousand and ninety-nine, three thousand, three thousand and one, three thousand and two, three thousand and three, three thousand and four, three thousand and five, three thousand and six, three thousand and seven, three thousand and eight, three thousand and nine, three thousand and ten, three thousand and eleven, three thousand and twelve, three thousand and thirteen, three thousand and fourteen, three thousand and fifteen, three thousand and sixteen, three thousand and seventeen, three thousand and eighteen, three thousand and nineteen, three thousand and twenty, three thousand and twenty-one, three thousand and twenty-two, three thousand and twenty-three, three thousand and twenty-four, three thousand and twenty-five, three thousand and twenty-six, three thousand and twenty-seven, three thousand and twenty-eight, three thousand and twenty-nine, three thousand and thirty, three thousand and thirty-one, three thousand and thirty-two, three thousand and thirty-three, three thousand and thirty-four, three thousand and thirty-five, three thousand and thirty-six, three thousand and thirty-seven, three thousand and thirty-eight, three thousand and thirty-nine, three thousand and forty, three thousand and forty-one, three thousand and forty-two, three thousand and forty-three, three thousand and forty-four, three thousand and forty-five, three thousand and forty-six, three thousand and forty-seven, three thousand and forty-eight, three thousand and forty-nine, three thousand and fifty, three thousand and fifty-one, three thousand and fifty-two, three thousand and fifty-three, three thousand and fifty-four, three thousand and fifty-five, three thousand and fifty-six, three thousand and fifty-seven, three thousand and fifty-eight, three thousand and fifty-nine, three thousand and sixty, three thousand and sixty-one, three thousand and sixty-two, three thousand and sixty-three, three thousand and sixty-four, three thousand and sixty-five, three thousand and sixty-six, three thousand and sixty-seven, three thousand and sixty-eight, three thousand and sixty-nine, three thousand and seventy, three thousand and seventy-one, three thousand and seventy-two, three thousand and seventy-three, three thousand and seventy-four, three thousand and seventy-five, three thousand and seventy-six, three thousand and seventy-seven, three thousand and seventy-eight, three thousand and seventy-nine, three thousand and eighty, three thousand and eighty-one, three thousand and eighty-two, three thousand and eighty-three, three thousand and eighty-four, three thousand and eighty-five, three thousand and eighty-six, three thousand and eighty-seven, three thousand and eighty-eight, three thousand and eighty-nine, three thousand and ninety, three thousand and ninety-one, three thousand and ninety-two, three thousand and ninety-three, three thousand and ninety-four, three thousand and ninety-five, three thousand and ninety-six, three thousand and ninety-seven, three thousand and ninety-eight, three thousand and ninety-nine, four thousand, four thousand and one, four thousand and two, four thousand and three, four thousand and four, four thousand and five, four thousand and six, four thousand and seven, four thousand and eight, four thousand and nine, four thousand and ten, four thousand and eleven, four thousand and twelve, four thousand and thirteen, four thousand and fourteen, four thousand and fifteen, four thousand and sixteen, four thousand and seventeen, four thousand and eighteen, four thousand and nineteen, four thousand and twenty, four thousand and twenty-one, four thousand and twenty-two, four thousand and twenty-three, four thousand and twenty-four, four thousand and twenty-five, four thousand and twenty-six, four thousand and twenty-seven, four thousand and twenty-eight, four thousand and twenty-nine, four thousand and thirty, four thousand and thirty-one, four thousand and thirty-two, four thousand and thirty-three, four thousand and thirty-four, four thousand and thirty-five, four thousand and thirty-six, four thousand and thirty-seven, four thousand and thirty-eight, four thousand and thirty-nine, four thousand and forty, four thousand and forty-one, four thousand and forty-two, four thousand and forty-three, four thousand and forty-four, four thousand and forty-five, four thousand and forty-six, four thousand and forty-seven, four thousand and forty-eight, four thousand and forty-nine, four thousand and fifty, four thousand and fifty-one, four thousand and fifty-two, four thousand and fifty-three, four thousand and fifty-four, four thousand and fifty-five, four thousand and fifty-six, four thousand and fifty-seven, four thousand and fifty-eight, four thousand and fifty-nine, four thousand and sixty, four thousand and sixty-one, four thousand and sixty-two, four thousand and sixty-three, four thousand and sixty-four, four thousand and sixty-five, four thousand and sixty-six, four thousand and sixty-seven, four thousand and sixty-eight

TRAVEL



Hippos cooling in the water: one of the attractions for people who want to be travellers, not tourists

South Africa

Bring on the eco-tourists

The republic is planning to capitalise on the decline in 'slump by the pool' holidays, reports Keith Wheatley

Officials of the Adventure Travel Society (a trade group, not Dr Livingstone's club) know two things. First, that eco-tourism is the fastest-growing sector in the travel industry, and, second, that South Africa has almost unlimited potential in this field. That is why the society's world congress in Hobart last year voted to hold its 1996 congress in Cape Town.

In the past, when helicopters flew over the Kruger National Park, South Africa's best-known game reserve, the elephants stampeded with fear. Memory reminded them that the annual cull of up to 500 beasts was managed with airborne shooters.

Last year, an event took place that symbolises the country's economic future. Many of the elephants were shot with tranquilliser darts and moved by vehicles built to carry whole families to locations that will be able to support them.

This was not the result of a sentimental vision of the World Wide Fund for Nature, but a commercially-funded operation to establish the Jumbo-land game reserve, with the Rand Merchant Bank as a big investor.

The bank's partner in the project is Trevor Jordan, a developer who makes a living from eco-tourism. He spent more than R1.2m (\$200,000) to stock Welgevonden, his private game reserve in the Northern Transvaal, with 50 elephants. He believes it is money well spent.

"I don't believe that it is the priority of the new government to fund

conservation, when there are so many urgent human issues like housing and education to address," says Jordan.

He believes the country's future must depend to a large extent on tourism. "We are the only place in the world where you can get in a vehicle and see lions, giraffes and elephants. That is what distinguishes us."

Half a century ago Jan Smuts, the father of modern South Africa, said that when he wanted to rest he turned his face to nature and the mountains for silence and solitude. "There is nothing like getting away into the wild. There is no equal to its rivers, its mountains, plains and deserts in all their wonderful and changing aspects," he wrote, adding prophetically: "In the years to come thousands will flock to this country to see things they can experience nowhere else."

Jordan touches on a controversial point when he suggests that the government has other priorities. It has long been a source of angry debate, especially during the apartheid years, whether animals were more important to Pretoria than black people. If the future role of the black population is to be no more than serving drinks at up-market safari lodges, the fine vision of expanding eco-tourism will come to nothing.

"Tourism must make a meaningful contribution to black communities around the country," says Walter Msimang, the newly appointed executive director of Satour, the government tourist body. "In this way we could find that we reduce perennial con-

licts deriving from a perception that animals have priority over humans."

At present, says Msimang, a former anti-apartheid activist who spent many years in exile, the industry is dominated by a few big companies. "This needs to be broadened and opportunities opened up for smaller entrepreneurs," Tourism, he said, was not doing as well as it might at present, but there were tremendous opportunities for growth.

But tourists have been pouring in this year. Many more came for the

'There's a growing recognition that there isn't going to be any kind of Marshall Plan for South Africa.'

recent Rugby World Cup than had been expected. Events of this calibre, including the future cricket world cup and possibly the 2004 Olympics, for which Cape Town has made a powerful bid, show that the republic is doing all it can to attract the kind of tourist who wants to "travel with a purpose".

South Africa has become fashionable as a "new" destination, but the country has longer term advantages as well.

It is widely believed that as the first world grows familiar with cheap mass

travel, the number of holidaymakers who want to "slump in a chair by the pool" will decline. Whether it is to stalk lion or be part of the Olympic crowd at the 1500m race, consumers are demanding a level of participation and novelty not required before.

An increasing number of holiday-makers also feels some sense of guilt about pollution and the despoliation of natural beauties which results from mass travel. Such people tend to despise "tourists" and see themselves as "travellers".

South Africans are smart enough to see the appeal of a visit to an interesting country where the tourists' presence may improve the prosperity of the black majority.

Rob Angel, chief executive of Engen, a resource company which is moving into travel and tourism, says he hopes the benefits of tourism will be shared by all South Africans, including those involved in conservation.

"We need to ensure that South Africa doesn't simply become the next point on the globe to be exploited by the international tourism industry, leaving little or nothing behind if the fashion changes and the tourism boom moves on to another destination."

Those who organised the country's Olympic bid are therefore working hard for success. Some calculations suggest that the \$2bn required to finance the games could add \$20bn to national income during the following 10 years.

"There aren't many investments,

size or private, that can come back with a 10-fold return," says Kevin Kevany, the bid's marketing director. He believes the two-week Games would encourage many people to come to South Africa who might stay for a while and consider the possibility of building factories in the country.

Since there is little chance that the new South Africa will be able to attract large loans from other countries on the scale needed to revive its economy, Kevany believes South Africans must put all their energies into schemes for self help such as the bid for the Olympics.

Even the most rigorous of self-help programmes needs an element of luck. After the peaceful end of apartheid, South Africa may be helped further by settlements of the long, bloody wars in Angola and Mozambique.

If truces hold and television sets cease to show images of bloodshed and horror, the image of Sub-Saharan Africa would be greatly improved internationally and tourism and leisure travel would be helped enormously.

Increased regional trade (at present tiny) could bring goods and services into South Africa that will keep service industry prices low by world standards. Meals, hotels and transport currently offer the kind of opportunity that Australia represented to the world in the mid-1980s. Eco-tourists may be more sensitive souls than the polyester-clad variety, but they also like a bargain.

Zimbabwe

Endangered species' last stand

Richard Evans visits a national park with a magical atmosphere

The white rhino and her calf ambled across the dirt track just ahead of us. Suddenly a big bull rhino pushed through the long grass, cantering at first, then charging at surprising speed, chasing them back across the track just 10 yards in front of our Land Rover.

It was an exhilarating start to our day in Zimbabwe's Matobo Hills national park near Bulawayo, declared an intensive protection zone for the endangered rhinoceros. Here, far from the Zambesi, 50 white rhinos, their horns amputated, are making their last stand.

Although designated a national park, this is not big game country. There are no elephants, lions or buffalo, but the place has a magical atmosphere of its own, quite different from the more typical big game areas of Hwange and around Kariba.

The strange, brooding Matobo Hills are a mix of colossal bare whalebacks of rock and sets of boulders perched precariously one on top of the other like children's bricks about to tumble down. In the local Ndebele - formerly the Matebele - language, Matobo means bald-headed ones.

It is a holy place held in awe both by the Ndebele and the early white settlers. On an extraordinary barren summit known as World's View is the grave of Cecil John Rhodes, founder of Rhodesia. Weather-stained domes and pinnacles of granite stretch in every direction.

With 2m visitors a year, Zimbabwe is building a reputation as one of the most dependable and best-value tourist destinations in Africa. The country also retains an atmosphere of old world courtesy, cleanliness and efficiency.

The main tourist attraction remains Victoria Falls, where the mile-wide Zambezi river vanishes in a cloud of spray into a chasm. The 400ft-high falls are the focal point of a vast adventure playground of game reserves, safari areas and fishing camps, but the falls themselves remain surprisingly uncommercialised.

We crossed over the bridge to the Zambian side - anyone with a tendency to vertigo should be warned that the path skirts the very edge of the gorge with no barrier of any kind.

From the falls we flew to a tiny airstrip near Lake Kariba where the dirt runway which dissects well-worn animal tracks was cleared of elephant and zebra as we approached. It is untamed country. Herds

of elephant crashed their way through the bush, casually leaning on trees to bring them splintering down. Antelope watched nervously for predators. Crocodiles and hippos cooled off in the lake.

Yet, after a bone-shattering 15-minute drive we were installed in the cool comfort of Kateti, one of a number of luxurious safari lodges around Lake Kariba that are widening Zimbabwe's appeal at the top end of the tourism market. It is an enclosed cluster of thatched lodge surrounding a pool and open-sided lounge, bar and a restaurant. There could be no greater contrast to the world outside.

The wooded savanna and Matusadona Hills on the shores of Lake Kariba are among the least accessible areas of Zimbabwe. The herds of elephant, buffalo, antelope and predators are the descendants of animals displaced in the 1960s when the inland sea of Lake Kariba was formed by the damming of the Zambesi.

Although artificial in origin, Kariba has been reclaimed wonderfully by nature. The rising waters have left thousands of trees partly submerged and their petrified branches pierce the surface, providing a resting place for cormorants, kites and fish eagles.

Before breakfast, while the sun was still low in the sky, we went tracking, crocodile fashion, like a Sunday School nature ramble. We had just seen a lone bull elephant and our guide, Mike, seemed nervous.

"They can be dangerous. There is usually a reason they are outcasts," he said. The elephant had been eating marula fruit, which ferments in the stomach and can make them unpredictably tipsy and aggressive.

But, reassuringly, Mike patted the Winchester rifle slung across his shoulder. "Under no circumstances run away if we meet a predator or elephant," he said.

Easy for him, he was the only one with a rifle. All I had was a pair of binoculars and my daughter's camera.

We learned the difference between bull and cow elephant dung - useful for elephants were stalked for their tusks - and saw spoor of lion, kudu (a large antelope), jackal and porcupine.

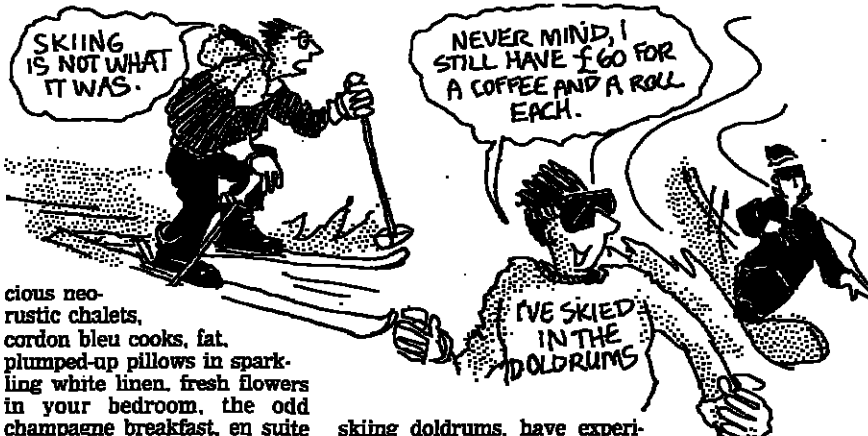
A pile of bleached bones was all that was left of a Cape buffalo eaten by lions.

Richard Evans was the guest of the Zimbabwe Council for Tourism and the Zimbabwe Tourist Development Corporation. He flew to Harare and Bulawayo with Air Zimbabwe.

Skiing

A good season awaits - at least in theory

Arnie Wilson on this winter's latest trends: Italy and Canada are popular and the British are now smart



This summer's heat-waves meant many skiers could not wait to book their traditional winter break. But it is quite as traditional as it used to be?

The days when most British skiers packed up a holiday containing drab jackets and even drabber salopettes and perhaps some antiquated ski boots of which they were often inordinately proud seem to be over. Once they headed off for the usual pension or chalet and then the usual ski rental shop in Alpbach, Nidderau or Mayrhofen without even having to think.

But it is no longer true that you can spot a Brit on the slopes at 100 paces because of sloppy ski-wear. Today - with some exceptions - British skiers tend to be smartly clad, have designer boots, high-tech skis, and are searching not only Europe but North America for new skiing experiences.

The British snowboarder, perhaps not quite so smartly clad, will also be back in greater numbers than ever.

Another rapidly changing skiing institution is the old-fashioned chalet party in which, traditionally, a group of friends shared a rather antiquated, sometimes primitive chalet with one bathroom, limited hot water and a couple of lavatories.

Although the old chalet party was sometimes comparatively cheap and could be great fun, the trend now is for chalet ski holidays to be much more luxurious affairs, with spa-

cious neo-rustic chalets, cordon bleu cooks, fat-plumped-up pillows in sparkling white linen, fresh flowers in your bedroom, the odd champagne breakfast, en suite bathrooms or showers and of course prices to match - about as far removed from the creaky old chalet image of the 1960s as you could imagine.

According to Hilary Jackson at Alpine Answers, a specialist ski travel agency in London, "appalling rates of exchange" and a shrinking market have forced tour operators to be more competitive.

"In order to compete, chalet operators have had to strengthen their niche positions and expand in areas in which the 'big boys' just cannot compete: the up-market chalet sector," says her company.

sking doldrums, have experienced a renaissance. Eugenio Magnani, deputy director of the Italian Tourist Office in London, was ecstatic about the numbers of British skiers who went to Italy last year. "It was a wonderful season," he says. "A very, very big surprise."

This winter most French and Swiss resorts will cost 10 per cent more, while the increase in the cost of a ski holiday to Italy could be as low as 3 per cent. The Swiss are confident that their traditional British clientele, many of whom make their own travel arrangements, will remain loyal.

The US is still popular, with Big Sky, Montana, being

offered to British skiers for the first time. Big Sky now has the biggest vertical drop in the US (4,180ft), just 41ft higher than Jackson Hole, Wyoming. If you want to check whether Big Sky really does have the extra vertical, you can now book both resorts as a twin-centre holiday - and take your tape measure.

The US is beginning to look over its shoulder at its Canadian neighbours. The Canadians, like the Italians, have been benefiting from exchange rates, and are hoping to lure increasing numbers of British

skiers to British Columbia and Alberta who might otherwise have tried the US resorts.

Italy and Canada are widely regarded by specialist ski travel agencies as offering some of the best value skiing around. Tina Crowther at the Skiers Travel Bureau in Leeds says: "It looks as though the bonanza in Canada will continue. Italy is very much in demand, but availability on peak season dates is becoming difficult. Because of this, we frequently have to persuade clients to go elsewhere."

And according to Lizzie Norton at Ski Solutions in London: "Not only is accommodation in Italy and Canada cheaper, but the extras, such as lift passes, also make a big difference." Yet France might still emerge as the most popular place to ski this winter, in spite of the franc fort. Indeed, according to Crystal Holidays, France is already ahead.

Helmut Patzak, the new Aus-

trian Tourist Office director in London, concedes that Italy has taken market share from both Austria and France. But he claims: "We still attract more British skiers than any other country. The concept of winter holidaymakers simply choosing the largest ski areas

is out of date. The market changed with the collapse of the schools' ski programme.

"Now we see more families, where mum and dad have skied for years and they want to introduce their children to the sport."

"They are not so much concerned with the volume of skiing as with a comprehensive holiday. And that means a mix of the modern with the traditional."

The Austrians, who at first had something of a problem abandoning their rather staid attitude to changes in the industry, are now hunting for the snowboard generation.

They acknowledge that snowboarding is "the current boom business" and Austrian resorts are busy building more "half-pipes" (artificial gullies with specially designed curves, shaped a little like the bottom half of a huge pipe-line) and more designated snowboard areas in resorts such as Saalbach-Hinterglemm and Badgastein.

Whatever and wherever you go skiing this winter - Fat Boy skis in British Columbia, snowboards in Courchevel, or telemark skis in Telluride, Colorado - the whisper is that it could well be a good winter. They have unusually good snow in New Zealand and some heavy falls in Chile, which usually means plentiful snow in the Northern Hemisphere too. There again, it's only a theory.

مکان من الاصل

SPORT



Self-righting craft which can be manoeuvred easily under oars

Rowing

In Chay Blyth's wake

Keith Wheatley on one man's mission to put adventure back into people's lives

In the summer of 1966, two British soldiers left Cape Cod, Massachusetts, to row across the Atlantic to Europe in a 20ft dory. It was a hellish 92 days of deprivation, discomfort and danger. On the final day, before they landed on an Irish beach, sergeant Chay Blyth wrote in his log: "It's all over. I'm not getting in that boat again for anyone."

Nearly 30 years on, would-be adventurers are falling over themselves to pay Blyth £9,000 for the chance to follow in his wake. His Challenge Business has 38 paid-up entries for a 2,900-mile transatlantic rowing race in autumn 1997 from Tenerife, in the Canary Islands, to Barbados, with another 100 on the waiting list.

The range of potential competitors is enormous: from elite athletes with hopes of rowing in next summer's Olympics, to a carpenter who has never been in a dinghy before. Two Cornish club rowers, David Jackson and Graham Burnett, who tested the prototype boat, were so smitten that they signed immediately for the race.

Each two-person crew will make the voyage in identical

24ft craft created by Phil Morrison and Peter "Spud" Rowsell, who normally design racing yachts. They are self-righting in the event of capsize and can be driven easily under oars. At each end, assembled from a kit of laser-cut marine plywood, is a watertight cradle. These will provide huddled sleeping accommodation, stowage for food and water, and cooking facilities.

In the event of a rogue wave swamping a boat - 50-footers are not unknown along the route the rowers will take - the compartments will keep the vessel afloat.

That every one of the contestants should have an equal chance of winning is central to Blyth's scheme. He put it into effect three years ago when he created the outstandingly successful British Steel round-the-world yacht race. He explained: "We want the boats identical to ensure that the pair that wins do so because of their rowing technique and courage and not because they managed to spend or raise enough money to build a faster hull."

Blyth also advised contestants to take a long, hard look at their rowing companion

before setting out. "The test we have set will push the human spirit to its limits. It is no good if only one of you has the tenacity to see it through to the finish."

Personality clashes seem inevitable. Three decades after their own Atlantic epic, there is no great affection between Blyth and his co-rower, John Ridgway. In the public relations blitz that followed, they fell out over money.

"I was a sergeant whose dad was a railwayman," recalled Blyth. "John's family owned the Marples Ridgway construction company, so our knowledge of the business world was a long way apart."

Blyth has come a long way since then in understanding Corporate Man. His bookshelves are filled now with manuals from the London Business School, and he has a reputation for being one of the best fund-raisers around.

But his request to quote from their joint book, *A Fighting Chance*, in the brochure for the 1997 race drew a dusty fax from Ridgway, at sea on a yacht in the south Atlantic. "In the present climate of uncertainty with Outdoor Activities generally, I require a printed

disclaimer of any association with me or my company," he cabled.

Blyth, an inveterate risk-taker who was enjoying gun battles with Yemeni rebels while still a teenage paratrooper, cannot see what the fuss is about. And he is irritated that it will be necessary to have a "mother ship" following the rowers as a safety measure in order to get sponsorship.

"Unfortunately, we live in an era obsessed with safety. It's the Umbrella Age," he scoffs. "People want to ensure that whatever happens doesn't happen to them."

When asked about the degree of danger the rowers face, Blyth becomes animated. He and Ridgway were blown into Ireland by an 80mph westerly storm and he maintains that, if they had reached the solid cliffs of the mainland rather than the negotiable lee of the Aran islands, their boat would have been wrecked.

"I guess a few of them are going to miss Barbados and land somewhere else," he muses. "We can't put a safety net under everything. You're either going to be a hero or you're not."

It is too easy to make this stocky, gutsy man sound like a drill sergeant who sorts humanity into sheep and goats too readily. In fact, his biggest thrill comes from putting "ordinary" people into situations where they can discover the extraordinary within them.

The rowers in 1997 can take heart from Blyth's thoughts in the summary of the voyage that changed his life 30 years ago. "Your concern is that your courage will fail," he wrote. "But, when your life depends upon it, it never does."

PNG is already firm league territory. The other three could

Rugby

A tuneful quartet

Huw Richards on the Pacific sun shining in England

The usual suspects may be contesting this weekend's semi-finals, but the success of the Halifax Rugby League World Cup has already been assured by four teams who did not make it.

The Pacific island quartet of Tonga, Fiji, Western Samoa and Papua New Guinea have done wonders for the entertainment value of the competition - and even more for its credibility.

Previous world cups have suffered for the lack of teams generally resembling nothing so much as the continuation of traditional Anglo-Australian antagonism by other means, leavened only by bit-part appearances from New Zealand, France and, more recently, Papua New Guinea (PNG).

No longer. In its century year, based by the trauma of schism in Australia and the clumsy handling of reorganisation in Britain, the taxpayer code has at last shown itself capable of producing a world cup worthy of the name.

The organisers who took the calculated risk of doubling the size of the competition have been splendidly vindicated, with only South Africa looking out of their depth.

Not that the success of the newcomers should be that surprising. Ever since the Fijians first made an impact on Rugby Union in the mid-1960s, fans have been regretting that the success of the island nations has been restricted by limitations at union's vital technical ball-winning set-pieces, ruck, maul, scrum and line-out.

Looking at their dazzling handling and running, love of the open, flowing game and ferocious tackling, they have wondered how they might do in a game where ability to rum, handle and tackle was paramount. Such a game has existed all along - Rugby League.

A natural predisposition to league's basic skills has been reinforced by know-how acquired by contact with New Zealand's small but resilient rugby league community, centred on Auckland, the "capital

of the South Pacific" which, with its 1m-plus population, includes large Tongan and Samoan communities. Twenty of the 25-strong Western Samoa squad were also qualified to New Zealand. So were nine of the Tongans.

How well they have learned became clear on the competition's opening weekend. Memories of 8,000 Lancastrians chanting "Tonga, Tonga" at Warrington, and of crowded terraces at Keighley adopting awesome Fijian second row Illiesa Toga as a folk-hero for devastating kick-off returns that left a succession of hopelessly brave South African tacklers stunned in his wake, will last as long as anything about this competition.

The Tongans came desper-

ately close to beating New Zealand in as gripping a contest as you are likely to see in any code of football, succumbing only to tiredness and the extra know-how of their desperate opponents.

Fiji, union roots showing in their determination to keep the ball alive at all costs, devastated South Africa with wonderfully fluent rugby. Too bad they then had to play England and Australia, probably the strongest teams in the competition.

Adrian Lam, Papua New Guinea skipper, was possibly the most creative player in a competition boasting such talents as Australia's Brad Fittler, New Zealand's Henry Paul and Wales' Jonathan Davies. If the Samoans could have added a little more imagination to their awesome physicality, they, rather than Wales, might have been playing England in Manchester today.

PNG is already firm league territory. The other three could Australia overpowered New Zealand three times this summer. They should make it four tomorrow at Huddersfield. But the Kiwis have a chance. At their best they are the subtlest, most exciting team in the cup, emphasising deception over power and contriving angles others cannot reach. But they have sparked only intermittently. If Paul is at his best, they might just turn those flashes into the sustained brilliance they will need.

Adrian Lam, of Papua New Guinea, was possibly the most creative player

Golf

A thinker's course

Derek Lawrenson on how to fall in love with St Andrews again

Given that one would have to be 100 years old to remember the last time a full-sized golf course was built in St Andrews, the tangible air of excitement that has greeted the opening of the Duke's course is understandable.

Designed by five-times Open champion Peter Thomson, it brings to 117 the number of holes that can now be played by visitors to this East Fife outpost. No wonder it is universally known as the home of golf.

Thomson was brave to take on the brief. The lure of making a contribution to the sport in the town that golfing folk most revere had to be weighed against the criticism that would inevitably follow if the course was not up to scratch.

Make a mess of a course in St Andrews and Thomson the architect would probably struggle for design work again.

Furthermore, the sport has changed massively in recent

years and the changes that have occurred at St Andrews have not met with universal approval. The appearance of the Old Course hotel, built on the dog-leg of the faded 17th hole, is widely derided, as is the new clubhouse, which was opened to coincide with the Open in July. The Japanese company that owns both, Kosaido, also put up the finance for the Duke's course.

What should be stressed is the Duke's offers no comparison with the established St Andrews courses, all of which are links venues. It is situated two miles away and therefore its characteristics are those of an inland course. One may as well compare Mozart to Beethoven. It is, however, a splendid piece of land and the views on some holes are spectacular. Stand on the fourth tee and the whole of the town is visible.

Playing the Duke's course may cause the visitor to fall in love with St Andrews all over again.

It was not supposed to open until next spring but favourable weather conditions have meant that it will be open for limited play this winter. Neither is there a subtlety here, namely that the owners are keen to open ahead of schedule to get the money rolling in. I played it last Wednesday.

The starting hole is a brute - a stark contrast with the Old Course opening hole

while the pro-am for the Alfred Dunhill Cup was proceeding in the distance on the Old Course. The Duke's is ready for play.

As one would expect of a cerebral champion like Thomson, this is a thinking person's golf course. The starting hole is a brute, enough to make a high handicapper think of trudging back to the car park. The contrast with the easy opening hole on the Old Course could hardly be more stark.

Thankfully, a relatively straightforward couple of holes follow before the course opens out and the eye feasts on sumptuous scenery.

A word of warning: St Andrews in the winter can be a humbling golfing experience. The wind that whistles in from the bay is bracing at best and icy at worst and either way the ball does not travel very far. The 8th on the Duke's course is 177 yards and into the prevailing wind.

On a still day I would take a five iron. I thought of a four... no perhaps a three... heavens, I took a three wood in the end and was not sorry that I did.

The back nine possesses some lovely holes. The 10th is a fine par five and the 12th perhaps the pick of four good and varied short holes. The sea is visible through the trees for the approach to the 13th and I like the architect's deceptive little trick here: the green is hidden by bunkers and looks narrow and difficult to locate. But get the distance right and a pleasant surprise results - it is much longer and wider than it appears.

The finish is surprisingly generous. The 15th is an easy par five; the 16th a gentle par four; the 17th is a treacherous short hole but the 18th offers every opportunity to end on the high note of at least a regulation figure.

Drawbacks? Yes, there are a few. I am not fond of courses where one has to cross a road during play and you have to do this twice at the Duke's. The principal grievance, though, is when Thomson has tried to plant firmly in the visitor's mind that he is playing a course at St Andrews.

Several of the fairways have been given bumps and hollows, as one would find on each of the links down the road. At the 9th, use has even been made of a small path which runs in front of the green, clearly with a nod in the direction of the Road hole on the Old Course. It is a terrible contrivance.

Green fees during the winter will be £20 for Old Course hotel guests and £25 for non-residents.

Financial Times.
World Business Newspaper.

Mastering Management is a 20 week series starting Friday.

October 27 published in the UK edition of the Financial Times, which international readers can also subscribe to.

The series of tabloid supplements, sponsored by United Airlines, comprises 19 modules ranging from Marketing to Business Ethics, Strategic Management to Organisational Behaviour and Leadership to Finance.

Written by over fifty academics from three of the world's leading business schools, the course examines the latest thinking and current management practices. It builds into a valuable resource for those considering further business qualifications and provides practical guidance for everyone involved in business management.

At £60 for readers in mainland Europe (£70 for readers in the rest of the world), you can have the series delivered weekly, or complete at the end of the course. Subscriptions can be taken at any point during the series, and should you want to cancel your subscription at any time, we will credit you for the issues you decide not to receive.

Subscribe now to make sure you don't miss out; lines are open 24 hours a day.

Subscribe to the Mastering Management programme and watch your business skills grow

Call 044 181 770 9772 Fax 044 181 643 7330 or visit our website

Name ☐ I enclose a Eurocheque ☐ I enclose a bankers draft

Job Title (£60 mainland Europe, £70 rest of the world both made payable to FT Mastering Management.)

Address

Telephone Fax no.

Signature Date Expiry Date Switch issue number

Please retain your completed order form with payment to: FT Mastering Management, PO Box 204, Sutton, Surrey SM6 4XZ, United Kingdom. Telephone +44 181 770 9772. Your name and address have been recorded by the Financial Times Ltd. If you require your details to be deleted from our database, please tick box ☐

IMPOTENCE CAN BE TREATED PAINLESSLY

Recent medical advances now enable our specialist team to offer, in confidence, genuinely painless methods of treating this distressing complaint.

For details telephone: 0171-637 2018

THE MEDICAL CENTRE, Weymouth St. London W1 3FA

MOTORS

LEXUS - Haseop for Lexus in London

COUNTRY MOTORS URGENTLY REQUIRE Jaguar, Daimler, BMW, Mercedes, Range Rover, Discovery, Saab, Volvo, Vaux, Seat & Audi 90-95 under 50K. Buyer will call anywhere in UK. (01963) 363110

BOOKS

A life neither shaken nor stirred

This is a lazy biography of James Bond's complex creator, argues J.D.F. Jones

Ian Fleming died in 1964 at the early age of 56 and was almost immediately given a workmanlike biography by John Pearson. The problem which confronted Pearson was that Mrs Ann Fleming, who had formerly been Lady O'Neill and then Lady Rothermere, was still very much alive (as was the widow of Hugh Gaitskell: Ann had had a long affair with the Labour leader), so the biography had to ignore some of the more dramatic aspects of Fleming's life - such as the miserable state of the Fleming marriage, so frequently discussed by their fashionable friends.

Andrew Lycett is not under these constraints. He can write freely about Fleming's long-term Jamaican mistress, Blanche Blackwell, he can detail Fleming's 15-year cuckolding of his friend Esmond Rothermere, and he can throw in Fleming's inclination to sadomasochism - surely no surprise in the creator of James Bond. But, in a very long

book, he does not have so much more of significance to add: which may be a reflection on the shallowness, the immaturity, and the sadness, of Ian Fleming's life.

Fleming's early problems had to do with a formidable widowed mother and an effortlessly successful elder brother, Peter. Ian failed at Sandhurst and in the foreign office entrance, drifted through the 1930s as a handsome young man-about-town in Reuters and then the City, and came into his own in the war as the personal assistant to Admiral Godfrey, head of Naval Intelligence. He was never an agent in the field, though he was once taught how to kill a man by biting him in the back of the neck.

In 1945 he returned to journalism

as the foreign manager of the Sunday Times where, aloof, supercilious, politically naive and privileged with long vacations, he stayed for nearly 15 years, long after his thrills had taken off. His health was beginning to crack before he was 40, thanks to his mercurial diet of cigarettes and booze. In the last years, after a heart attack, he was a sad figure, alienated from his wife, exasperated by her social circle of "loquacious highbrows", unable to relate to his only son, who would later kill himself, and struggling to find the energy to fuel the James Bond caravan.

There are two conspicuous failings in this book. The first is that it is far too long - Lycett seems com-

pelled to include everything that he has ever discovered about Fleming, which is not at all what we ask of a biography: to take an example at random, "... 'Nin' Ryan, later a good friend of both Ian and Ann, was the astute daughter of the Ger-

IAN FLEMING

by Andrew Lycett

Widenfeld & Nicolson £20, 486 pages

man-born New York financier Otto Kahn, who had backed the acting career of Diana Cooper. Another, Peggy Munster, was a talented interior decorator who, as the first partner of Sibyl Colefax, had launched fellow designer John Fowler. Fifty miles away towards Villach, her

husband, Count Paul Munster, a golfing friend of Ian's at White's... and so on and so forth. The detail is particularly tedious when we get to the interminable legal rows about film rights.

Second, and more serious, Lycett has little of interest to say about the books, nor even about the phenomenon of "James Bond". It is suggested that "Bond was a projection of the heroic image of (Fleming's) father..."; that he started writing at the time of his marriage to Ann in order "to create some literary manifestation of their sadomasochistic relationship..."; and that the books were one way of combating his fear of indolence.

This really won't do. Fleming was responsible for the most extraordi-

narily successful popular novels (and films) of a generation. Why did these comic strips have such an impact? Fleming vaguely understood that Bond had a mythic role as a sort of St George, saving the girl (and the west) from the dragon, but the criticism is inescapable that his villains are the crudest caricatures, unbelievable figures deliberately devoid of character or humanity (which is not the case with true myth). His heroes are not much better.

Nor does Lycett engage with the persuasive indictment that Fleming was deliberately peddling "sex, snobbery and sadism". John le Carré has argued that the Bond books are "cultural pornography" in their ennobling of a Superman

who is endorsed to commit any crime in the name of a "fake patriotism". Other critics have been worried about a more literal pornography: this is the author who famously made a female character say, "All women love semi-rape. They love to be taken. It was his sweet brutality against my bruised body that had made his act of love so piercingly wonderful..."

Fleming's life story seems to confirm that he remained a perpetual adolescent: one intelligent woman friend later said that "his emotional age was pre-puberty". (Was Bond any older?) Can it surprise that, after all the exciting years of illicit liaison, he and Ann discovered soon after marriage that they could not bear to live together? So Ann continued on her giddy social round and Ian retreated to his underground circle of clubmen and golfers, relieved only by the annual trip to his beloved Jamaica and the books which he found increasingly hard to complete.

Children's books/Carolyn Hart

Drawn to wicked offspring and chaotic families

The terrifying scenario portrayed in Philippe Dupasquier's new picture book, *No More Television* (Andersen £8.99) - children without benefit of the cathode ray tube - is a subtle, funny and beautifully illustrated story (Dupasquier's drawings show a chaotic household of exasperated parents, idle children slumped on sofas, sagging wallpaper, crumbs and floors scattered with toys) of a father who has a Damascus-like vision of productive family life and, accordingly, gets rid of the television.

Soon the children are having a horrible time playing monopoly, practising the piano and cooking supper. But when the television is finally restored to them, they naturally discover that they much preferred life without it.

By contrast, the eponymous hero of *Bumpa Rumpus and the Rainy Day* by Joanne Ray and Adriano Goo (Heinemann £8.99) has no need of the television at all. He is a child who finds plenty of entertainment in natural phenomena, especially the stormy, wet kind.

Bumpa Rumpus is perfect for reading out loud, a book that makes use of language to create an impression of noise, movement and music as the rain pours down.

There is more wet weather to be had in Amy Hest's *In The Rain with Baby Duck* (Walker Books £8.99), a moving, deftly written story about a little duck who hates the rain, but learns to love splashing in puddles with her grandad. Baby Duck is illustrated with seductive charm by Jill Barton.

Apart from a drenching of rain stories, this autumn also sees the welcome return of the wicked child and, although she - it usually is a she nowadays - always gets her comeuppance in the end, this is a refreshingly anti-social development compared with the virtuous, politically correct characters who have oiled their way into the nursery in recent years.

In *This is the Bear and the Bad Little Girl* (Walker £7.99), a witty rhyming story by Sarah Hayes and Helen Craig, a polite, curly-haired

little girl turns into a bear-stealing villainess who lifts a small boy's teddy and makes off "down the street holding the bear by one of his feet". Apprehended by a helpful dog, this monstrous child decides that she didn't want the bear anyway - "he was only a baggy old sack" - and rightful ownership is restored.

For a true taste of villainy, however, you must turn to ghastly Bootsie Barker, a girl who terrorises her smaller friend by pretending to be a child-eating dinosaur. Eventually her victim effects a satisfying revenge by organising a



Spotlight on children's novels from 'Blood and Bones', reviewed below

game called Palaeontologist which sends Bootsie howling into the street. *Bootsie Barker Bites* by Barbara Bottner (Mammoth £3.99) is a wry story taking an oblique look at grown-ups who are oblivious of their children's private terrors.

In *A Pig's Book of Manners* by Nicholas Allan (Hutchinson £7.99), a rude boy called Johnny shuns and burps his way through life and then wonders why he has no party invitations. "You're a pig" says his sister. "That's what you are".

But when a real pig moves next door and is so charming and considerate that he spends all his time

going to parties, Johnny puts two and two together and resolves to be less of a yob, finding that "he feels better already".

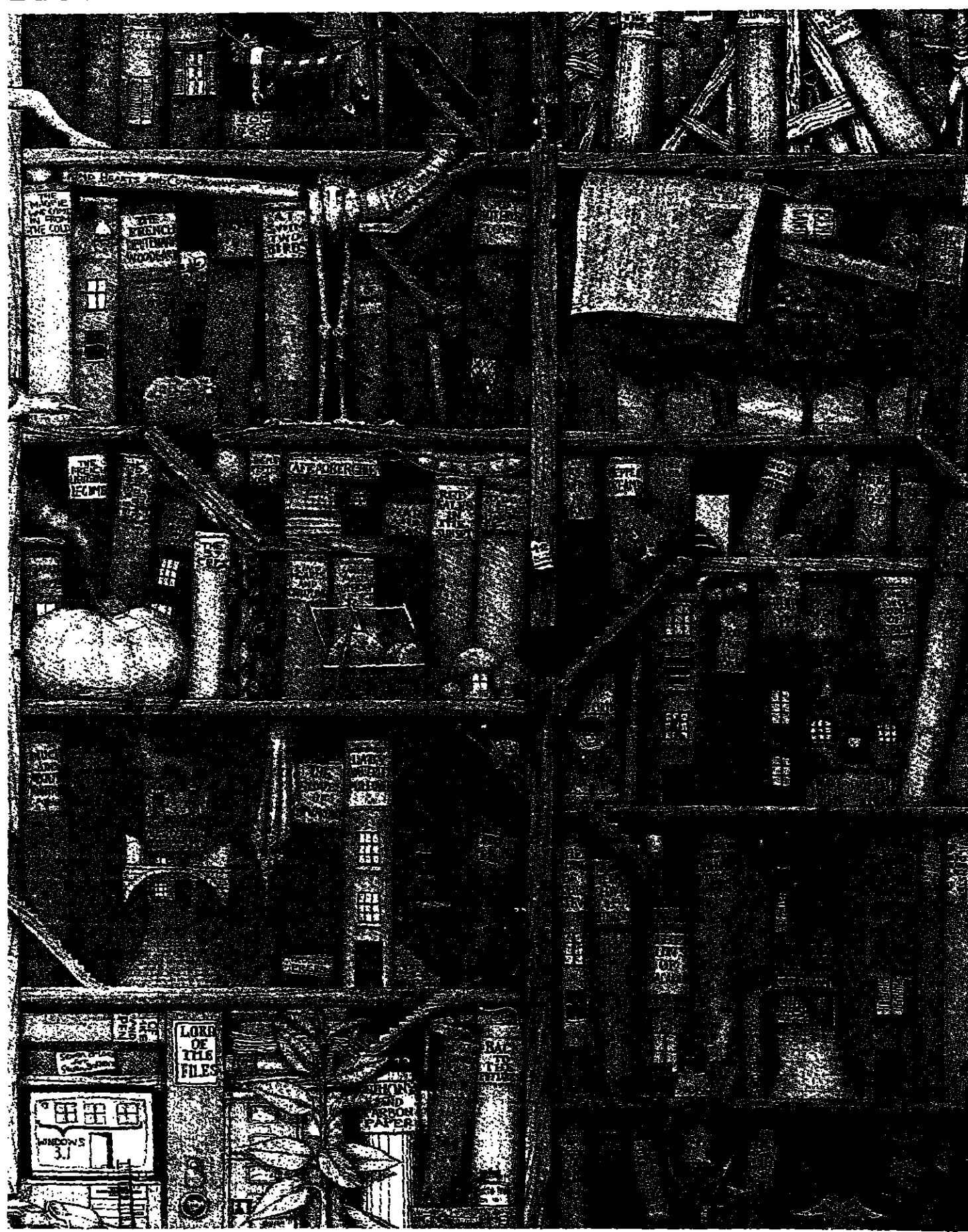
The clear message of this book - that you do not have to be a lout to have fun - combined with Allan's comical illustrations make *A Pig's Book* an entertainingly thoughtful read. Virtue is also rewarded in Piper (Cape £8.99) by Emma Chichester Clark, a tear-jerking story about a lonely dog who, after many tribulations, finds a happy home with a kind old lady.

Colin McNaughton's *Boo* (Andersen Press £8.99) is an exuberant, noisy story about Preston, the Masked Avenger, who creeps through the streets at night jumping out at his unsuspecting victims. Huge fun for three-to-five year olds who can shout "Boo" at the opportune moment, and McNaughton's illustrations are a lesson in how to absorb a child - they glow with colour and are full of the kind of extraneous detail that small children love.

Harriet Ziefert employs the same tactics in *Scare The Moon* (Walker £8.99) in which a little witch and a little wizard try to frighten the moon by having a booing competition. My son loved this book as much for its illustrations (curiously unearthly drawings of a beaming unperturbed moon, a bulgy ghost and a cross-looking cat by G. Brian Karas) as for the opportunity to do a tremendous amount of shouting as we read.

A kind of *auto-da-fé* of children's books can be found in Colin Thompson's *How To Live Forever* (Julia Macrae £9.99) in which books become a landscape, breathing embodiment of a living, breathing world for older children, but adults will relish it as well for the quality and depths of Thompson's baroque, mystical illustrations.

How To Live Forever tells the story of a missing book, a child who holds the secret of everlasting life and a library that comes to life at night. "Doors and windows appear on the backs of books, lights come on... full-grown trees spring up and chimneys begin to smoke..."



Bibliomania: one of the baroque illustrations from Colin Thompson's 'How To Live Forever' (Julia Macrae £9.99), a picture book with a mystical story set in a library

Peter Tabern's *Blood and Bones* (Andersen £8.99), illustrated by the inimitable Korky Paul, is the book of the BBC series. *Proves*. This is a funny, accessible story of suburban pirates, bloodthirsty grannies, green babies and mysterious hooded types whose voices sound like "bat claws scratching on a graveyard wall" - one of several successful books which cater for the transition from illustrated story books to the more complex demands of older children's fiction.

From the same stable, Philip Curtis' *The Silence of the Space Mafia* (Andersen £8.99), sequel to *Hostages of the Space Mafia*, is a combination of sci-fi and funny school story. This time the Space Mafia are planning a revenge attack on Marsh Farm School. Curtis' ability to combine mundane detail with the outlandish antics of the aliens make this an excellent read for pre-teens.

Dick King Smith's *Sophie* series

Spoofs, aliens and animals

reaches its final instalment this autumn when the animal-mad Sophie turns eight and inherits a farm and a pony in Scotland. Aptly entitled *Sophie's Lucky* (Walker £6.99), the good fortune meted out to this stolid heroine was almost more than my own London-based eight-year-old could stand.

Mo Kermode's *Codename Sebastian* (Collins £10.99) explores the world of second families, step-parents and single mums. Holly and Joe's mum has joined a dating agency and, faced with the ghastly prospect of a stepfather, they decide to spy on her dates and grade each man as a potential father. If you

thought Anne Fine had said everything there was to say about "stepping in" in *Google Eyes*, you will be pleasantly surprised by Kermode's cheerful, well-written, perceptive story.

Best title of the autumn must go to *Jesus, The Teenage Years* by John Farman (Bodley Head £9.99), in which an adolescent Jesus confides his innermost thoughts in diary form. Farman is the author of the bestselling *Very Bloody History of Britain*, and although his second book owes more than a little to Moleworth, this is a genuinely funny book full of good jokes and irreverent attempts to make sense

of the Testaments (try Jesus' first attempt at walking on water or his first taste of the wine trade).

Bible spoofs aside, there are few things trickier than catering for teenage literary tastes, but in *The Dead Are Listening* (Spindellwood £9.99) Francis McCrickard has pulled off a stunner of a book. This is a fast-paced story, at once sophisticated and exciting, telling the story of three teenagers - a girl and two boys - who come across an old man on the moors who has been beaten up and left for dead. Their discovery is the catalyst for a series of dangerous events which take place against a background of smouldering racial tension and the forthcoming trial of alleged war criminals. The subtle juxtaposition of the teenagers' life in the 1990s and the old man's agonising memories of the 1940s combined with a thrilling story make this one of the most intelligent teenage stories to be published for some time.

Entertaining education

Stephen Beisty's marvellous non-fiction cross-section series has spawned a whole family of similar books exploring in detail the inner workings of machines, houses, even cities. One of the best is *Everyday Machines* (Hamlyn £12.99) whose author, John Kelly, like Gulliver in a Brobdingnagian version of a Comet warehouse, ventures inside the complicated innards of such intricacies of modern technology as the computer, video recorder and microwave oven. Coolly rummaging through the mysteries of heat energy, decoders, gears and molecules, Kelly presents an entertaining, illustrated guide to why, and how, things work. Ideal for clever children.

Less taxing for adult brains,

however, is Peter Kent's sophisticated, thoroughly fascinating *Slice Through a City* (Macdonald £9.99) which shows how cities have developed from early Saxon settlements to the teeming streets we know today. As each new age is grafted onto the ruins of the last, Kent's cross-section drawings show a teetering pile of houses, streets, sewers and graves built one on top of the other. Leo Harris has used the same technique in *This Old House, A Day in Five Storages* (DK £9.99) in which a single building is given the cross section treatment to show 24 hours in the life of a dilapidated apartment block. Mad scientists conduct experiments in the attic, ravens dance the night away in the basement while a

grand dame who has seen better days reclines on a chaise longue upstairs. Excellent detailed drawings combined with a good eye for the seedier side of city life, make this the sort of book guaranteed to keep 7-10 year-olds happy for hours.

Those bleaching at the thought of taking bored children to a public art gallery for a traditional half-term treat should invest in Dorling Kindersley's *Spot a Dog*, *Spot a Cat* series by Lucy Micklethwait. For less than £5 you get a collection of 13 paintings ranging from Renoir to Hockney all of which feature either a cat or a dog. Spotting the animal in question is an enjoyable, pain-free way of introducing a three- or four-year-old to culture.

Fiction/Antony Thorncroft

From delicious mundanity to wry melancholia

The most sympathetic character in *The Lampitt Papers*, A.N. Wilson's sequence of novels about an upper-middle-class family in post-war England, is the Reverend Roy Ramsay, the uncle of the unhappy narrator Julian Ramsay. The Rev Roy's overwhelming obsession with the lordly Lampitts, with the minutiae of their lives, and their far from obvious brilliance, drives his own relations into paroxysms of tedium.

Followers of *The Lampitt Papers*, now into their fourth volume with the arrival of *Hearing Voices*, must share the

Reverend's addiction to the mundane. Quite why Wilson, perhaps the most facetiously blessed novelist of the age, should carry on churning out books about such a collection of stunted, unexciting characters, is a mystery.

And yet, just as Julian Ramsay finds his own life meshing inextricably with the Lampitt clan, so the reader turns the

page half eager for a reference to Ernie, Lord Lampitt, the determinedly demotic left wing head of the family, or Sargie, the academic, whose career nose-dived after an unfortunate incident in an Oxford cinema.

But the going gets harder, in the earlier volumes there was a certain style to the saga. We shared Wilson's interest in the

dead literary tradition personified by James Petworth Lampitt, an Edwardian belletrist who met a mysterious death in Marylebone. The intrigues over his papers in the bookish London of the 1950s and '60s combined period charm and some contemporary relevance.

Now Wilson seems more wrapped up in his own obsessions. A substantial chunk of

Hearing Voices is taken up with arguments about the contraceptive pill around a Catholic

HEARING VOICES by A.N. Wilson

Sinclair-Stevenson £14.99, 214 pages

lic Sunday lunch table in 1968. Increasingly the chronicler

Julian Ramsay, a small-time radio actor and occasional lunatic, seems to become the mouthpiece for Wilson's own struggles with faith and religion.

Hearing Voices is Wilson in a lower gear. The sad narrator finds himself adrift on acid in New York in the 1960s, and through his constantly cross mistress becomes enmeshed

with a less grand family than the Lampitts, the Nolans. The fact that Fergus Nolan, a pioneer of the contraceptive pill, believes that God will grant his wife a much desired pregnancy if he can persuade the Pope to ban the pill for Catholics, gives Ramsay, and Wilson, plenty of opportunities for moral anguish.

Sadly some of the most

appealing characters in past volumes make only fleeting appearances. There are some wonderfully subtle passages of humour and of sadness, but it is unlikely that *Hearing Voices* will attract many new travellers to join this introspective vehicle.

NEW AUTHORS
PUBLISH YOUR WORK
ALL SUBJECTS CONSIDERED
Fiction, non-fiction, Biography,
Religion, Poetry, Children
AUTHORS WORLD-WIDE INVITED
WRITE OR SEND YOUR MANUSCRIPT TO
MINERVA PRESS
2-10 LONDON ROAD, LONDON EC2A 4PU

BOOKS

Homosexuals come in from the cold

Nicholas de Jongh on an eloquent argument for the right of gays to join the armed forces and to marry

We have come a long way. Forty years ago in Britain, homosexuality was being diagnosed as one of the great social evils of the age by sections of the political, judicial and clerical establishment. The subject was for Lord Hailsham "as much a moral and social issue as heroin addiction", with homosexuals "a secret society of addicts" lavishly corrupting themselves and the young men and boys of England. A committee of doctors and magistrates took a more modestly liberal line. Sex offenders - for that is how they described practising homosexuals - should be given medical treatment to deal with their "undesirable and dangerous" condition. Forty years on the whirligig of time has brought in its desirable changes. Homosexuals are no longer perceived as they used to be. And it is because of such sharp political changes and transformed

convictions that Andrew Sullivan, the young English editor of the right wing American magazine *The New Republic*, can secure publication for this eloquent, meticulously argued book, which proposes that gay men and lesbians should be allowed to serve in the armed services and to contract same sex marriages as well. Sullivan's title - which, incidentally, serves as a rebuttal to the vicious inhumanity peddled by Hailsham and his sort in the 1950s - gives a clue to his assimilationist credo. In his closing chapter, "A Politics of Homosexuality" Sullivan proposes that all "public" as opposed to private discrimination against homosexuals be

terminated. The rules of political correctness, which he understandably diagnoses as the irritating bane of contemporary American life, would lose their salience. His model homosexual, the one who appears in his fantasising mind's eye would, I deduce, be for example, a 35-year-old lieutenant colonel who served in the Falklands or Bosnia and lived faithfully with the same man for eight years. He is self-confident, assertive and unashamed to be gay - though not in the still-surviving 1960s argot, "proud." This new genre of homosexual - gay seems too frivolous a word for him - does not, Sullivan argues, ask for protection from hostility or

freedom from discrimination and expressions of contempt. Nor does he want to live in isolation from the traditional family. He would say, Luther-like, here I, and my kind stand, "protect us from nothing, but treat us as you would any heterosexual." Liberals and conservatives alike, Sullivan naively imagines, could happily proceed from this new gay

beginning. I wonder. Leftists, radical academics in their ivory towers in university gay studies departments, activists and gay rights campaigners would look on in anger and outrage. They would see Sullivan's plan as an attempt to draw homosexuality's sting, its newly perceived sense of creative apartness (though not of course in the maligned 1950s sense), its distinguishing behaviours and brilliant freedoms from the conventional norms of family faithfulness, procreation and all that. So be it, as far as Sullivan is concerned. He wants assimilation rather than to turn the separation of gay and lesbian people from the

heterosexual majority into a full divorce. And in his chapters on what he calls the prohibitionist liberationist conservative and liberal standpoints on homosexuality, he takes a little of each to achieve his own conservative gay cocktail. But only when trying to make the Catholic church seem freshly humane in its attitude to homosexuals do the links in his analysis begin to chafe and strain. Although this is a most articulate, imaginative and convincing attempt to bring in homosexuals from the cold, his conservatism does come with a pair of blinkers. Sullivan believes it futile and inappropriate to try to modify the

expression of extreme attitudes to homosexuality since he is convinced that visceral attitudes are inevitably resistant to reasoning or liberal legislation. But public opinion, belief and behaviour is pliable and susceptible to change. The attitudes to homosexuals and homosexuality have been transformed since the 1950s and not simply because of liberal legislation. The lifting of the taboos surrounding homosexuality has ensured that the demonising of those of us who are gay or lesbian no longer succeeds. And Sullivan, in neglecting the still malign influence of the churches, fails to realise the need to inform and educate the young about the virtual normality of homosexuality. His programme suits the affluent urban middle-class gay man and not the poor, rural or small-town homosexual or lesbian.

VIRTUALLY NORMAL: AN ARGUMENT ABOUT HOMOSEXUALITY by Andrew Sullivan Picador £14.99, 210 pages

A rummage under the floorboards of government

Andrew Adonis joins an enthusiastic search for the realities of the unwritten British constitution

Peter Hennessy is the father confessor of modern British government. Even the Queen confides in him, although circumspection allows him to disclose only that Her Majesty finds the British constitution "puzzling". *The Hidden Wiring* is a rummage under the floorboards of British government, seeking to reveal the underlying realities of the country's unwritten constitution. It is a delight to read, and the ceaseless name-dropping is what makes it so. For as monarchs, ministers, courtiers and permanent secretaries trot out their trite and often contradictory views, the truth of Philip Ziegler's observation that "we just are a sort of back-of-the-envelope race" becomes ever stronger. Hennessy's description of himself as a fusion of Billy Graham and David Bellamy is apposite. His every discovery - from the cabinet secretary's private notebook to conversations with virtually everyone connected with Number 10 Downing Street in recent times - is relayed with Bellamy-esque enthusiasm. We are repeatedly invited to "savour" some banal remark for its underlying significance. Lord Bancroft, a former head of the home civil service, tells Hennessy that the job of Whitehall is to provide "a degree of balance and permanence" to government. "Savour those two words 'balance' and 'permanence'", interjects the professor, who then puts the words in perfect context - (they reveal) the notion of the Civil Service as a kind of gyroscope of state. Billy Graham appears in the favour with which the status quo is defended. Not that Hennessy is against all change. He has a few suggestions to make, such as a new strategic policy

committee of the cabinet, which would doubtless ensure that grand initiatives like "back to basics" issue forth from Downing Street with still greater frequency. But there is nothing to upset the traditionalists unduly. Hennessy is even worried that the Queen's private diaries - apparently she writes some 800 words a day - might be published too soon. "Sponges", he exclaims as if holding up one of Bellamy's exhibits, "especially royal ones, are one of the few commodities in respect of which high state secrecy is both necessary and desirable." Walter Bagehot is the lurk-

THE HIDDEN WIRING: UNEARTHING THE BRITISH CONSTITUTION by Peter Hennessy Victor Gollancz £17.99, 250 pages

ing spectre, and the Victorian journalist-cum-academic would have been impressed by Hennessy's grasp of the realities of the contemporary constitution. Unsurprisingly, his vocation is similar: a distinguished journalist who is now a professor of history, able to reflect at leisure on the world of Whitehall and Westminster which he understands better than most of its inhabitants. The observation of politicians is especially acute. "Politics as a profession is immensely risky and tends to appeal to chancers who live on a diet of adrenalin and are engaged in a constant search for 'boredom avoidance'", he remarks. Spot on. The task of constitutionalists is to ensure that the rules of the game do not allow the boredom avoidance of politicians to become a nuisance to the public. Alas, in Britain the rules are no longer up to the job. Perhaps they used to be, when "good chaps" like Lord Home and Harold Macmillan were brought up to respect unwritten conventions and knew when the country had "had enough". Nowadays there is less respect for convention and public sensibilities - witness the poll tax - and there are far more chancers in politics determined to ascend the ministerial ladder. Not that the "career politician" is a creation of recent history. Hennessy reminds Sir Robert Peel (Tory prime minister in the 1840s) as the first "modern" prime minister, on the grounds that he was a workaholic, determined to exercise personal supervision over the executive machine. Yet this was equally true of previous chief ministers - from Morton in the 18th century through Wolsey, Cromwell, Cecil, Walpole, right up to William Pitt in the generation before Peel. The point is important for two reasons. First, the strength of the centre in British government cannot be appreciated apart from England's remarkable history as a unitary state with (for most of the time) a powerful national government. This makes constitutional reform especially difficult if it involves devolution of power. Even those on the left ostensibly in favour are usually centralisers by instinct. Secondly, it is misleading to portray "modern" government as inherently overloaded, imposing an unbearable strain on ministers compared with tranquil times past. The strenuous and the tranquil alternate within generations. John Major is not remotely workaholic by the standards of Wolsey or Walpole - or Thatcher. It is all to do with character and circumstance, for which no constitution can legislate.



Two young gypsy girls at Epsom Fair, June 1994, photographed by film animator David Trainer, who also specialises in documentary portraits of travellers and football supporters: from "Photographers" London 1839-1994" by Mike Seaborne (Museum of London £26, 304 pages) which includes images by Bill Brandt, Henri Cartier-Bresson, Bert Hardy and Don McCullin

A question of colour

Clive Cookson discusses the scientific arguments about race

For 50 years, mainstream science has denied that there is any biological basis for racism. We are all familiar with the tenets of the post-Nazi liberal consensus: the whole concept of race is scientifically bogus; racial differences are just skin deep; no ethnic group is inherently more intelligent than another; poor performance by a group is the result of social and educational factors rather than genetics; what really matters is the variability of individuals within each group, not of groups as a whole. Marek Kohn, a young science writer with impeccably liberal credentials, wrote *The Race Gallery* as a wake-up call to the scientists who share his beliefs. End your long act of "denial", he pleads. Mobilise scientific arguments against the contemporary practitioners of "race science" who have been moving in from the intellectual fringe since the end of the cold war. Explore human diversity in a positive spirit of tolerance and generosity, rather than the selfishness of racism. The book provides a fascinating history of "race science" from Johann Blumenbach, the 18th-century German taxonomist who coined the racial term Caucasian, through the Rassenstaat, the antiquated race gallery at Vienna's Natural History Museum from which Kohn took his title, to the IQ-based arguments of Richard Herrnstein and Charles Murray published in *The Bell Curve* last year. But Kohn fails in his central aim: to show that race science is a serious and growing threat today. One understandable

problem is that he is so antipathetic to the race scientists, and so keen to refute their arguments, that they come across as an ill-assorted bunch of mavericks and loonies, whose research and theories quickly fall apart on inspection. If Kohn is reflecting accurately the state of contemporary race science, the liberal consensus has little to worry about. Another point, which Kohn does not face up to, is that scientific arguments have never played more than a peripheral role in propagating racism in politics and society. The prejudice which many people feel against ethnic groups other than their own is based on economic, social and psychological factors - and, some would argue, is an intrinsic part of human nature. Science has little to do with the feelings that prompt some whites to deny blacks fair opportunities in housing or employment. Although the most notoriously racist regimes of the 20th century attracted support from a small coterie of sycophantic scientists, Kohn presents no evidence that the policies implemented by the Nazis or the South African National party were significantly influenced by scientific advice.

Yet another problem with *The Race Gallery* is that the scientific debate is about to be transformed by molecular genetics, a key point that Kohn recognises but underplays. Almost all the race science described in his book is based on physical anthropology, social biology, psychology and traditional genetics. THE RACE GALLERY: THE RETURN OF RACIAL SCIENCE by Marek Kohn Jonathan Cape £17.99, 210 pages

Over the next 20 years, however, most of the activity will centre on discovering genes (the precise stretches of DNA that code for particular human characteristics) and establishing their distribution between different ethnic groups. The international endeavour to identify and decode all of our 100,000 or so genes goes under the umbrella title of the Human Genome Project. Its first phase, printing out the entire genetic code for a generalised human being, may be complete by 2005. But it will take many more years to resolve the Nature-Nurture argument at the molecular level - to discover

how inherited variations between individuals interact with environmental factors to give different mental and physical traits. Within the overall programme is the controversial Human Genome Diversity Project, which aims to study genetic variation between populations worldwide. Promoters of the diversity project, led by Luigi Luca Cavalli-Sforza of Stanford University, say it will not only "illuminate our understanding of human history and identity" but also help to combat racism by proving that important traits vary less between groups than within them. Many of the indigenous peoples from whom DNA samples would be taken are refusing to cooperate, fearing that the results could be used against them. As *Nature* said in an editorial this month, the scientific justifications for the diversity project miss the point of the objection - that it "may make racial members objectively identifiable, and to their disadvantage." It is already remarkable how, quite apart from the diversity project, scientists are finding more and more genetic variants that are characteristic of particular groups. This month, for example, an important mutation in a hereditary breast cancer gene was found to occur eight times more frequently in Ashkenazi Jews than among the general population; *Science*, the leading research journal, headed its report "Jewish Breast Cancer Gene". *The Race Gallery* will be an even more interesting book if Kohn rewrites it in ten years time.

Old ghosts revisited

Jackie Wullschlager enjoys high society memoirs in fallen angel prose

Gore Vidal's love affair with Gore Vidal is not just infatuation, Martin Amis noted. It is the real thing. In the grounds of a 1920s Washington mansion. He grew up at the home of his grandfather, the blind Senator Gore from Oklahoma, who taught the boy his alphabet so that he could read aloud to him from the Congressional Record. At six, Vidal was hooked on Livy. At ten, he was the youngest American to pilot a plane, supervised by his father, who was president Roosevelt's adviser on aviation. Vidal has never been shy of parading his ancestors, but here, seen from a child's eye view, they have the resonance of fairy tales. His grandmother Dot, wrapped each day in a pink lacy nightdress because she saw no point in dressing for a blind husband, is a protective fairy godmother. Senator Gore is a kindly seer. Their alcoholic, hysterical daughter Nina, Vidal's mother, is the wicked witch. At 11, Vidal started to vomit each time he saw her. "Whenever my daughter appears upon the scene, it is like an evil spirit," says Dot. Exile from paradise came when Nina married Vidal's stepfather, the fabulously wealthy but impotent Hughie Auchincloss, in 1935. At his home, the "ill named" Merry Wood, there were silk sheets, white servants, and the butler who took your breakfast order as you went to bed. The marriage did not last, and Hughie's

next wife was Janet Lee Bouvier, making Gore a sort of stepbrother of Jackie Kennedy. His memory of Merry Wood fans out from a moment in the 1950s when he stands with Jackie at the door of the room which each inherited on their mother's marriage. Jackie later shared it with Jack; Vidal shared it with his teenage lover, Jimmie Trimble. "The small bedroom reminds me that, unlike Jack, I had once been (in this very room - and ever since!) in love". *Palimpsest* is a parchment which can be written on and then wiped out. For Vidal, it is a metaphor for the "archaeological layers of a life to be excavated like the different levels of old Troy, where, at some point beneath those cities upon cities, one hopes to find Achilles and his beloved Patroclus." Trimble, killed at Iwo Jima in the Pacific in 1945, is Vidal's Patroclus. The account of their affair threads in and out of Vidal's memories, sentiment always just held at bay by irony, until on the last page you realise that it is actually the heart of the book: "I seem to have written, for the first and last time, not the ghost story that I feared but a love story." It is an elegantly modulated performance.

PALIMPEST: A MEMOIR by Gore Vidal Andrew Deutsch £20, 435 pages

The result of this memoir by contrast is old ghosts. There is the usual settling of scores - Anais Nin, Updike - and the absurd "sex n' power" stories that Vidal cannot resist. We have heard them before - Tennessee Williams taking a fancy to JFK's bottom; Wallis Simpson stealing the King because only she could cope with his sexual deficiencies; Auchincloss money launching Jackie into society after Nina had left, so that "one shudders to think that there would never have been a Jacqueline Kennedy Onassis if Hughie could have had a satisfactory erection". Vidal's bragging can be obnoxious - of his encounter with Jack Kerouac, "we owed it to literary history to couple". His snobishness is outrageous - he knows no sexual guilt, "a middle class disorder from which power people seem exempt". But he has, as he said of Jackie Kennedy, a "life enhancing malice", and a fallen angel prose - the "bright confetti of lunacy" of Tennessee's lovers, the poison-ivied view of Merry Wood's lawn and the milk chocolate brown Potomac River - which makes even familiar tales shimmer. While Vidal's novels are already beginning to look leaden and dated, my guess is that in half a century this memoir will still be enjoyed, along with Vidal's essays, as a record of life and lifestyle in old moneyed Washington, filtered through an extraordinary mind.

ARTS

Artists with no need to strike attitudes

Forget the issues, look at the talent argues William Packer

It is one of the great orthodoxies of modern art education that the work of the artist should be about something. The jargon is of analysis and discourse, of the re-examination and questioning of first principles, of engagement with issues and ideas. That this is all nonsense is made clear by one simple consideration: for if the "issue" were to be the final measure of quality in a work of art, there would, for example, be no "Crucifixion" any better or worse than any other. While the artist may find his work upon any theme he chooses, it can only be what he makes of it that counts.

But the pressure to conform remains strong, most especially where the artist is young, talented and ambitious yet whose natural bent is towards a kind of work that might otherwise be deemed old-fashioned and passé. Alison Watt is such an artist - just 30, a painter full of talent and energy. Her principal formal interest is in the figure, in particular the female nude, which she is prepared to address repeatedly on the grandest scale. It is remarkable in one so young, given current attitudes to the disciplines of the life-room, that she is technically equipped to carry it off at all, let alone on such a scale.

Clearly she has been looking long and hard at such painters as Euan Uglow and, especially, Lucian Freud, in the bare studio setting and the frank nakedness of the image. But what she has yet to achieve is their confidence to leave it at that, trusting the innate authority of the naked human presence to speak powerfully for itself.

But not on the floor below the curled-up recumbent model, her head wrapped so tightly in a cloth as to seem no more than a stump, lies the skinned carcass of a pig. The

feminist allegory is inescapable. Again, to the left, the pig hangs from its hook, with the model now standing to face us, but holding a partial image of the skeleton in place across her chest. To the right, the final panel of this huge triptych has no pig, but only the model standing now with her back towards us and the appropriate skeleton-drawing of ribs and shoulder-blades beside her. "Everywhere... the body's integrity seems threatened by the sombre suggestion of ruination - by piercing, by slitting, by binding, by the confounding of that dualism which politely separates the dark and mysterious privacy of the interior from the publicly exposed surfaces of outer forms." Oh dear. Here we have, suggests the catalogue, "both a carefully informed commentary upon, and a strategic contribution to, the history of the female nude in the western painting tradition." Issue painting indeed.

The pity of it is that wherever such portentous and self-conscious emphasis in the imagery falls away, the work comes alive in its freshness and directness. Given the acreage she covers, Miss Watt is unsurprisingly sometimes rather mechanical in the modelling of the form and the description of flesh. But the drawing is always sound, and the handling overall most assured and convincing. In short, she is too good a painter to need to strike attitudes. The more straight-forward work, the better it is - the small portraits and pastel studies are quite delightful.

Across the road, Mary Mabbitt, another figurative painter, falls into a similar trap, at least in her larger works. She has always had a strongly-mannered quality in her drawing - rather odd and quirky, coming close to caricature - that is inclined to be a limitation on her intuitive



'Saint', 1994, by Alison Watt: wherever the portentous emphasis on imagery falls away, her work comes alive in its freshness

painterliness. The smaller paintings, worked presumably directly from the subject, strike the balance perfectly between the graphic and the painterly. Shoes and gloves spread across the bedroom floor, a scatter of children's toys, the familiar middle of the kitchen table - images of a bright, but nervous domesticity, and all registered with a fresh and charming, just

slightly off-centre visual wit. Back in the West End, four senior painters simply get on with what they have always done, which is to respond directly to the visible world. The only "issue" which they would ever admit is the central and eternal painter's problem of how to register what is seen and felt of space and form, in terms of line and colour on the flat surface of the canvas.

The late Patrick Symons looked at landscape and musicians. Anthony Fry lays his delicate expressionist nudes upon the bed. Anthony Eryon has lately been working in the vast spaces of the Bankside Power Station, as turbines and generators are removed. And Euan Uglow stays in the studio, his magisterial nude, pale against the red-brown paneling, engaged with nothing

more than the perceived reality of our shared and transitory existence in this world. Now there's an "issue" for you.

Alison Watt: Flowers East, 199 Richmond Road E8, until November 19. Mary Mabbitt: Paton Gallery, 282 Richmond Road E8, until November 19. Four Painters: Browse & Darby, 19 Cork Street W1, until October 28.

Why these companies cashed in

Antony Thorncroft explains the arts lottery handouts

Lord Gowrie is feeling slightly peeved. As chairman of the Arts Council of England he has had the task over the last six months of distributing £180m of lottery money around 315 arts companies. And all he has got for his trouble is media abuse.

This week's knee-jerk tabloid reaction against the award of up to £30m for the re-development of Sadler's Wells and £12.4m to complete the Globe at Bankside was typical: ill-informed diatribes that the poor punters of the north were subsidising the pleasures of the privileged rich of the south ignored the fact that the Wells mainly attracts the young, and the Globe will regenerate a depressed part of Southwark.

Fortunately Gowrie is pushing gamely ahead. "Ten years ago I travelled the country as arts minister. Now I go to the same places and find that the level of interest in the arts has grown not ten times, but a thousand times". But he is nagged enough by the criticism of the press to consider some changes in the way the lottery operates.

Much of the blame for the absence of national rejoining is attributed to the charities' lottery board which will finally announce its first grants on Monday. If it could have got its act together faster the arts would not have been so exposed.

"We were efficient, and processed our applications rapidly, so the public thinks that the lottery is only for the arts" says Gowrie. Now the chairman of the five good causes that receive lottery money meet with the heritage secretary, Virginia Bottomley, each month to plan how to process the good news. One idea is that their announcements should coincide, so that an award to an opera house comes alongside approval of a new sports stadium, some countryside preserved, and millions to charities.

Gowrie is also trying to drum up more applications from the inner cities and the distant regions. The council cannot suggest projects: it can only respond to ideas from the arts world. According to Jeremy Newton, who runs the arts lottery, one of the surprises to date has been the shortage of applications from existing Arts Council clients in the regions, like the repertory theatres, art galleries and film houses. The expectation is that their bids will soon arrive, redressing the perceived bias towards London projects.

In the next few months multi-million pound schemes, like the Lowry art centre at Salford; the conversion of a flour mill in Gateshead into a contemporary art gallery; and concert halls for Bristol and Newcastle should reach the Arts Council. In contrast the only big London developments still to arrive are for the South Bank, the Coliseum and the Albert Hall, which is also seeking help from the Heritage Board.

Lottery funding can only go towards capital projects. Gowrie has successfully stretched this to include commissions for new works, be it a play, music, or art to help launch a new, or refurbished, arts venue. He

has also embraced film, with grants of £750,000 and £1m going towards planned movies of Adrian Noble's RSC production of *A Midsummer Night's Dream* and William Golding's novel, *The Spire*.

Now he wants more applications from art forms that lose out on the lottery because they have limited capital needs like jazz - or reggae, an activity for which Gowrie revealed an unexpected passion: "my motto is 'from reggae to Rigoletto'". Reggae bands could qualify for new instruments; jazz bands for help with recordings.

He is more circumspect about the vociferous lobby which is trying to widen lottery funding to include revenue grants to arts companies. He believes that there is still much essential capital expenditure required. In addition, blurring the line between capital and revenue would threaten the government's annual grant to the Arts Council.

Gowrie is also sceptical

The council cannot suggest projects; it can only respond to ideas from the arts world

about the idea of channeling lottery money into endowments. "A satisfactory endowment for Covent Garden would consume most of a year's lottery money." But, in time, there must be movement. The arts lottery chairman, Peter Gummer, said this week that there are currently 395 applications pending, seeking a collective £218m. Beyond that there have been 1,400 "notices of intent" of an application, with a total budget of £530m. If most of these projects are approved they would absorb just three years' of lottery funds. Before the millennium the capital structure of the arts in England should be secure.

Then the heritage secretary of the day will be able to examine how lottery funding can sustain the arts in other ways. Jeremy Newton envisages different approaches to each art form - orchestras could be provided with an instrument pool and helped with recording deals. Theatres would be encouraged to commission plays for their new stages which could then be toured and videoed. The aim would be to develop packages that widen the reach of the arts and that do not disrupt traditional funding.

In the meantime Gowrie must persuade the Treasury that the arts need more subsidy on top of the lottery. Only a cock-eyed optimist will expect a real increase in the annual grant in the November budget. Gowrie is confining his ambitions to recouping the 12 per cent cut in funding that the Arts Council suffered two years ago which, together with an inflation increase, would make a grant in excess of £200m. This would endorse John Major's pledge that "the money raised by the lottery will not replace existing government spending".

Television/Christopher Dunkley

The outer limits and beyond

In order to get away with the line "Why is lobster thermidor like oral sex?" Answer: you don't often get either at home" most programmes would have to be on Channel 4, or very late at night, or of such minority appeal that nobody would be expected to notice. *Cracker* - which is where it occurs - goes out in peak time on ITV and attracts 15 million viewers. It has won the right to use such material because, in its very short history, a history which (barring the occasional Christmas special) we are assured will end next week, it has pushed the permissible to the limits and beyond, and just-

fied its case every time. In the process it has attracted numerous complaints and the usual simple-minded accusations of causal connections between its plots and events in real life.

After one story it was blamed for the stabbing of a midwife in Lincoln. When the plot had a black man raping white women it was accused of "stereotyping" and endangering good race relations. And when the narrative involved a

young man from Liverpool setting out to murder 96 members of the establishment in memory of Hillsborough even the police complained. On each occasion it quickly became clear that the production company, Granada, and the production team, especially the creator of the series, Jimmy McGovern, had thought much longer and deeper and more carefully about these problems than the knee-jerk-response hysterics who protested.

Cracker has now been through the fire so often that the cast-iron integrity in which it is cased must be well nigh impregnable. Hence the inclusion of that line about lobster thermidor which, in addition to being funny, has a perfectly serious point to make. What a terrible shame if the three-part story starting tomorrow really is the last of the proper series.

There is nothing particularly original in having a crime series which looks at the life and tribulations of the crime solver as well as at police rou-

tine and the life and activities of the criminal. Indeed, you could argue that from Sherlock Holmes to *Hill Street Blues* this has been a standard characteristic of the genre. Nor is it so very unusual for the audience to know from the start who committed the crime, which has been the case with *Cracker* usually.

Cracker's power comes partly from its larger-than-life central character, Dr Fitzgerald, played at full tilt by the magnificent Robbie Coltrane. It comes partly from the fact that this character, instead of being a detective is a police psychologist. But it comes mainly from the decision, presumably taken by McGovern (there have been other writers on the series) not merely to include material about the lives of the good guys but to give equal weight to show that these guys are only comparatively good.

"Thus in this final series,

which begins tomorrow, we have not only the central case which involves prostitutes being killed, but the death of Fitz's mother and a touchy relationship with his brother, several scenes in which Fitz drinks too much; his lack of faith with his wife over gambling; his Roman Catholic faith, or lack of it, the coming to term of his wife's pregnancy; the emergence from a nervous breakdown of DS Jimmy Beck who, at the end of the last series had seemingly raped Fitz's mammy, DS Jane Penhaligon: Penhaligon's determination to force a confession out of Beck; and Beck's continuing sorrow and guilt about his involvement in the death of Chief Inspector Billborough, an incident which takes us back near to the beginnings of *Cracker*.

There are other ways in which *Cracker* differs from its competitors. Fitz is not portrayed as a loveable rough diamond or a fetching eccentric in the long tradition of anti-hero

detectives, but as a driven man who is in several ways genuinely reprehensible. In one of several paradoxes he perpetually defends women and women's rights in the course of his work and is shown to be capable of understanding and sympathising with them, yet his own treatment of them is consistently disgraceful.

However - and this is one of the most important ways in which the series differs from many others - Fitz is never in any doubt about right and wrong within the criminal context, however rosy his own morals may be. And, most important of all in a world of television drama where writers and producers now seem lost in a forest of relativism, unable and unwilling to tell right from wrong, *Cracker* as a series has always been absolutely clear on such matters whether criminal or social.

Of course the stories have been pretty good too. The climax of this final tale, a week on Monday, simultaneously solves the Beck rape conundrum and a seeming miscarriage of justice within the prostitute murder case in a way which, while definitely climactic, brings things down to earth with a bump.

THE SPECTATOR



Alasdair Palmer: why do Judges always think they know best?

Charles Moore: how to be British

Simon Jenkins: in defence of elitism

Nicholas O' Dwyer meets the criminals who rob only pensioners

Fine Arts Special Issue

Plus all our regular columnists including Jeffrey Bernard, Paul Johnson, Anne Applebaum, Taki, Mary Killen, Nigella Lawson and Ian Hislop. And, as ever, the best cartoons of the week.

ALL IN THIS WEEK'S SPECTATOR OUT NOW!

Hayward Gallery
sbc

ART AND POWER

Europe under the doctors 1830-45
The X&B Council of Europe Exhibition

26 October 1995 - 21 January 1996
Hayward Gallery, London

Open 10am - 6pm daily, Tuesday and Wednesday until 5pm
(Closed 21.10.95, 28.10.95 and 1.11.95)
Admission 15, concessions £3.50
Booking on 0171-960 4242

Sponsored by the Council of Europe, the Foreign and Commonwealth Office and the Arts Council of England
The South Bank Centre is a general dealer

100 WATTS PER CHANNEL. 12" HIGH. UNDER £2,200.

The new AVI total hi-fi system. (Neater than ever, Martin.)

Electronic genius Martin Grindrod has now inched the AVI total hi-fi system still closer to his ultimate dream: A new integrated amplifier (the S2000M1) delivering a genuine 100 watts per channel. A new CD player out-performing at least 95 per cent of all CD players on the market. Plus the original tuner. The whole system (which includes a remote control) stands 12" high. And costs under £2,200 - three times lower than some of AVI's would-be competitors.

Call 01453 752666 to hear it.

AVI International Limited, Unit F3C3, Bath Road, Treading Estate, Stroud, Gloucester GL5 3QF, England.

Royal Festival Hall
Tel: 0171 966 4205, 10am-9pm

Sun The Glory of Mozart
22 Oct English Chamber Orchestra, Sir William Walton (conductor), Just Byrnes (chorus)
23 Oct Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
24 Oct The Barber of Seville: Sir John Neschling (Piano), Sir John Neschling (Conductor)
25 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
26 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
27 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
28 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
29 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
30 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)

Sun The Marriage of Figaro
22 Oct English Chamber Orchestra, Sir William Walton (conductor), Just Byrnes (chorus)
23 Oct Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
24 Oct The Barber of Seville: Sir John Neschling (Piano), Sir John Neschling (Conductor)
25 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
26 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
27 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
28 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
29 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)
30 Oct The Marriage of Figaro: Sir John Neschling (Piano), Sir John Neschling (Conductor)

PORTRAITS - EXECUTIVE OR FAMILY
Painted in oils on canvas
With sittings or from photographs for the surprise gift.
Ancestors also recorded.
CONTACT: L. BUSWELL BEARD
01753 654617

ARTS

Radio/Martin Hoyle Waves of contention

See how the fates their gifts allot! For A is happy, B is not. Yet B is worthy, I dare say, of more prosperity than A.

W.S. Gilbert's philosophising, as durable as much that we have heard and have still to hear in this celebratory year of things British and *Fairies*, must strike a chord with the toilers in the BBC's vineyard. For "A" read Radio 2, doing exceedingly well for "B" read Three. A casual mention of Radio 3 to a friend over the phone the other day, an ex-media social-working amateur choral civilised sort of person, the type who used to switch on automatically to Radio 3, prompted an explosion. "I started the day with Paul Gambaccini and ended it with what sounded like heavy rock," she spluttered.

She could of course have started the day earlier with Andrew McGregor whose *On Air* record programme last week scattered lesser-known Martinis, Pleyel and Reger among the tried and trusted, though on Monday he gave a painless lead-in to Gambaccini with Rachmaninov's Paganini. She could have dozed off to an even richer selection last week: French piano duets, a reassessment of Admiral Nelson, a reminder of that stormy petrel the actor/composer/author Charles Diddin (a real find for this British year); less somniferously, the excellent *Heart and Now* (Robert Ziegler introducing new music), *Americana* (only the mischievous would suggest we get that at every level of current British culture anyway) and - arguably somnolent - a programme devoted to the British symphony of the 1950s.

In fact, a glance at the Radio Times in any week would make the music-loving foreigner's mouth water. There is a tremendous range of music still on Radio 3, much of it still relatively obscure and bravely programmed. This is no more than one would expect from the controller Nicholas Kenyon, amiable and erudite, who in calmer times would have won praise for his taste and integrity.

But when Radio 3 stoops to folly it gets a slipped disc. The pressures on the station to win a broader and presumably younger audience, and specifically (though officially this is denied) to compete with Classic FM, lead to such bird-brained schemes as Gambaccini's *Morning Collection*. It is unfair to complain that his programme consists of lollipops. It doesn't: last week had the thread of Haydn piano sonatas running through all five programmes, and Debussy's *La Danseuse* *Blue* is hardly housewives' choice. But between nine and ten in the evening we had such chestnuts as *Eine kleine Nachtmusik*, Tchaik conducted by rock star Bobby McFerrin, the aria from the film *Diva* and *Zadok the Priest*, all refugees from *Your Hundred Best Tunes*.

The crowning misjudgement is Gambaccini himself, his tone hushed and unctuous, as if handling something special called high culture with kid gloves. His delivery is the speech equivalent of muzak in

a hotel lift. Gambaccini's programme is being trailed on Radio 4, a miscalculation since that channel is now home to quite a few defectors from Three, escaping everything that Gambaccini stands for: the smooth Radio Two-isation of that envy of the world, the old Third Programme.

This is of course grossly unjust. Last week's pleasures on Three included Judith Bumpus' *Landscapes of the Mind* inspired by that genuine English artform, the landscape garden. *Brizen Plus* is a brilliant idea, a series coupling the British composer's songs with composers he admired. *The Instrument Makers*, five close-ups of our musical history, introduced by Michael Oliver who has one of those voices I thought banned from the new Three - reassuring, friendly, authoritative - was a cracker. Complete opera broadcasts included Turnage's *Greek* and Schubert's *Fierabras*. All in the great tradition.

In drama, Radio 3 is right to do new plays like *God's Locusts*. In fact Terry Eagleton's satirical treatment of the Irish potato famine was a stereotype-filled cheat, underlining every point three times with a red pencil. But the policy of presenting plays by eminent academics on controversial subjects is sound.

So why, given this catalogue of excellence compiled with probity and expertise, does Radio 3 attract so much obloquy? When it falls, it falls heavily and publicly, by definition inevitable when it sees its business as catching the public eye rather than gratifying the individual ear, and partly because it has become the unwilling symbol - albeit a victim - of the provincial grocer's philosophy by which we now live, a philosophy of cheesewire, of hiding choice titbits of the service under the counter to sell off to favoured customers to exploit as they will.

The philosophy, in short, fails to realise that value for money is not always quantifiable by scales or balance sheets. But that is a problem that occurs elsewhere, everywhere, in British life at the moment. Don't shoot the pianist (or harpsichordist or theorist or drama producer); he's doing his best. The deejay is another matter.

Prophet and scourge of Israel

James Woodall talks to the outspoken Amos Oz about his unique status as the leading novelist in a country whose language has no word for 'fiction'

Amos Oz springs across the room to shake my hand. Short and weather-beaten, he looks like a farmer and cuts an unlikely figure for a man who in his own country has been called, by turns, prophet and scourge of governments. Israel's foremost contemporary novelist, his reputation built on the worldwide success of *My Michael* (first published in Britain in 1972), is over for the appearance of his 11th novel in English translation: *Don't Call It Night*.

It was time, he roared after Hamas bombings of Israeli buses in April 1994, "to arrest and prosecute all those who incite to bloodshed, and to try and imprison all Arabs and Jews who so much as dare to threaten to stop the peace by violent means."

His British equivalent might be a Northern Irish novelist who for 25 years had never drawn breath over the Troubles, and would now be recommending internment for suspected post-ceasefire knee-cappers - on both sides of the divide.

To be a novelist in Israel (whose language, Hebrew, has no word for "fiction") is to have unique status, both in his homeland - "Israel," says Oz, "is one of the few places where an editorial in a daily paper will disagree with the politics of a fictional character" - and in the world at large. Oz is only too well aware of the fact: "People read novels from troubled parts of the world as if they were allegorical statements about the state of the nation. If you write about a mother, father and a child's pocket money in Israel, there are reviewers who will assume the father is the state, the mother tradition, and the pocket money the inflation rate."

Don't Call It Night features a childless, middle-aged couple affected by the recent drug-related death of a teenage boy. Now, the female protagonist, is driven to find out why and how the boy died and persuades her reluctant partner, Theo, to open a rehabilitation centre. While the book touches on an increasingly acute drugs problem amongst the young in Israel's cities, the novel is not issued; it is more a reflective account of two people trying to re-discover each other. It is Oz's quietest book to date.

"Even if I wrote a letter of denial or a protestation on the front page of the novel, saying, 'No, I don't mean Palestinians, I don't mean Israelis, I don't mean church and state, I only mean a family thing,' people still wouldn't believe me." *Don't Call It Night* has been greeted in Israel with accusations of "escapism". Yet if reviewers suspect a cooling-off on Oz's part from engagement with the burning issues of the Middle East, they fail to appreciate that this has never been an over-

riding concern in his fiction. Nearly all his novels deal with families, with intense, and intensely imagined, sexual relationships and most strikingly - from *My Michael* to the epic *Black Box* (1987) and now the new book - are told from the female point of view.

"This book was triggered by a personal experience of middle age," explains Oz, now in his mid-fifties (the title in Hebrew makes it clear that "Don't call it night" is addressed by a man to a woman - implying, "Don't give up, yet"). "It's about middle-aged love, and comes out of a conscious evolution in my recent work to focus on the family and relationships. I'm fascinated both by the family, the

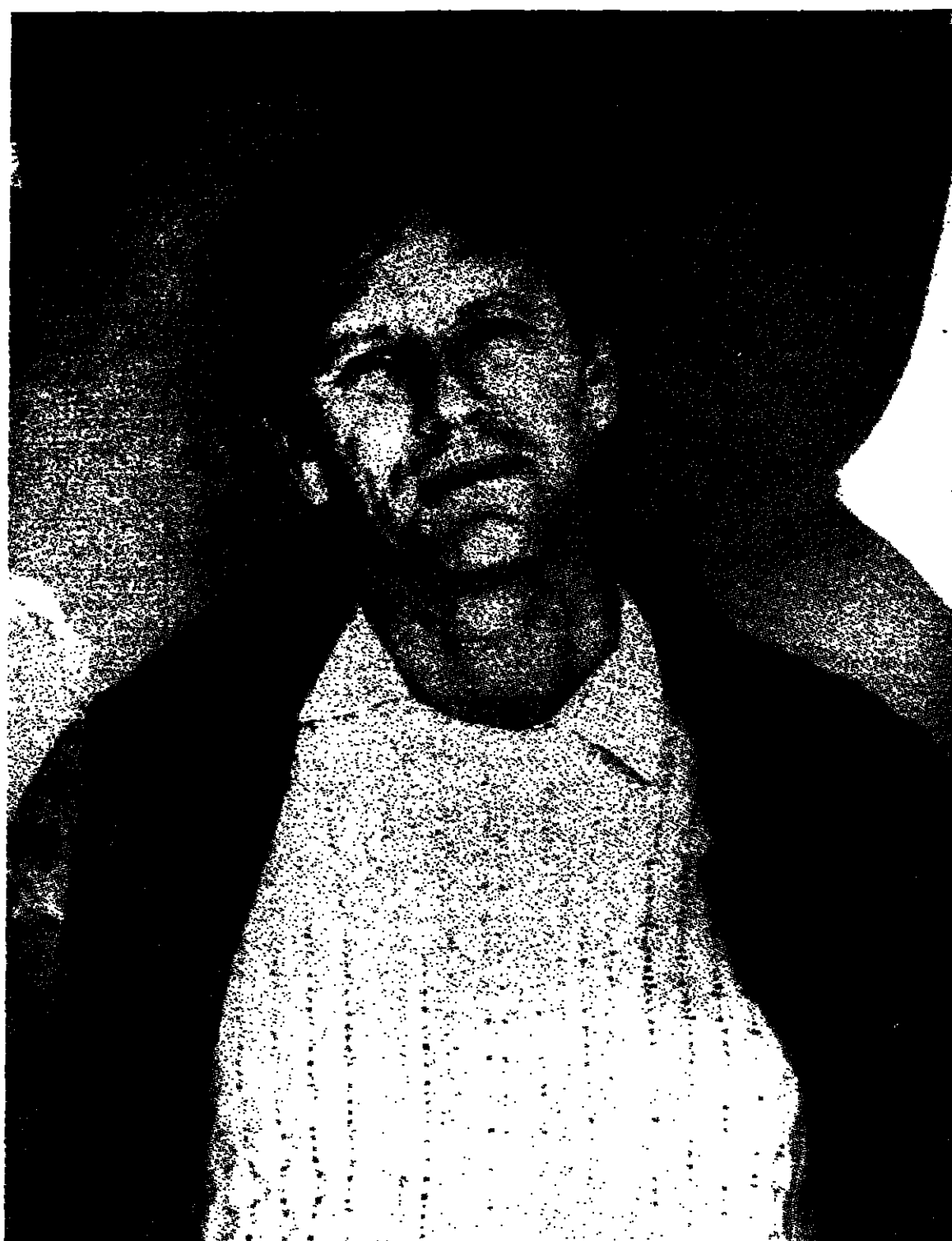
People read novels from troubled parts of the world as if they were allegorical statements about the state of the nation

most mysterious, unlikeliest institution in the world, and by addiction, by obsessions and fixations that don't diminish but actually develop with age."

As Oz moves out of his prime, he shows no signs of leaving behind his own fixations. The son of Slavic-Jewish parents who fled the Nazis, he has been a shrewd witness of his country's evolution from violent birth to shaky maturity. He has also taken part, as a member of the Israeli army, in its most crucial struggles: against the Arabs in the 1967 Six Day War and then again in 1973. He is passionate about peace, and when Israel invaded Lebanon in 1982 was unequivocal in his condemnation.

"Like the Falklands war, this was an optional war. It was fought not for survival, but for benefits, for an extra bedroom for the nation." He vehemently opposed the government and Israeli majority public opinion, joined demonstrations and campaigned with the Peace Now movement. Oz calls himself a pacifist, not a pacifist: he will fight, that is, if attacked - which is what allowed him, to the dismay of many peace groups, to support the offensive against Iraq in 1991. In a nation built on absolute, many of its enshrined in religious law, Oz's unpredictability can seem refreshing. It is why he is a novelist, and not a politician.

"I never write articles to commis-



Amos Oz: one pen for politics, another for fiction

Sally Scammell

sion. I have two biros. If I'm in a rage, I pick up the biro I reserve for journalism: when I'm 100 per cent in agreement with myself, I tell the government what to do. When I'm not in full agreement with myself, I pick up the other biro, and write a story."

In the light of political developments in Israel, I remind Oz of his comments about imprisoning opponents to peace. I mention that last year the distinguished Palestinian writer Edward Said told me that civil war was likely in Israel: Israel would kill Israel.

Oz's response is swift: "Is that what you want to do, for a century or two. But I do not want the problem to be solved by blood and fire. It can only end through a process of evolution." *Don't Call It Night* is published this week by Chatto & Windus, £14.99, 199 pages.

Chess No 1097: 1 Be2+ If Kxh4 2 Bb5 g5(gxh5 3 Kf3 Kh3 4 Rxb5) 3 Bg6, and if Kg4 4 Rd4, or g4 4 Rh5, if 1...Kf4 2 Kf2 g5(Kx4 3 Bf3+) 3 Ng6+ Kx4 4 Bf3 mate.

ST. JOSEPH'S HOSPICE

MARE ST. LONDON E8 4SA

(Charity Ref. No. 23322)

"Her final days with you were among the happiest of her life. Your gentle skills convert the dismal business of dying into an artform."

These poignant words from a bereaved husband are echoed again and again by grateful families.

They are quoted here in thanksgiving to you for the kind support on which our care depends.

Sister Superior

PAINTING FOR SALE

WEALTHY BUYER BOUGHT for a magnificent U.S. Lowry Collection probably the finest available. To view 01253 852 227

ART DECO NUDE, 48" x 37" Vienneze 1820, NOTHMANER STERLING 3000.00 PHONE 0171 245 0206

ART GALLERIES

SPINK Visions of the Orient, Orientalist pictures, Indian & Islamic art; S. E. Asian sculptures. 17 Oct - 3 Nov, Mon-Fri, 9am-5.30pm, Tues 9am-7.30pm, 5 King Street, SW1

CAMERON MACKINTOSH PRESENTS

MARTIN GUERRE

A NEW MUSICAL BY BOUBLIL & SCHÖNBERG

LIVENS HERRERT KRETZMER & ALAIN BOUBLIL MUSIC CLAUDE-MICHEL SCHÖNBERG
BOULIL & SCHÖNBERG

ORCHESTRATIONS WILLIAM DAVID BLOHM SPECIAL SUPERVISOR DAVID WHITE MUSICAL DIRECTOR DAVID ABELL
SCENERY ANDREW BRUCE LIGHTING DAVID HERSEY
DIRECTOR DECLAN DONNELLAN COSTUME DESIGNER BOB AVIAN PRODUCTION DESIGNER NICK OLSBERG

FROM 22 MAY 1996
WORLD PREMIERE 18 JUNE 1996

BOX OFFICE NOW OPEN
0171 447 5400
CREDIT CARDS 0171 420 0100 • 0171 344 4444

PRINCE EDWARD THEATRE

OLD COMPTON STREET, LONDON W1

THE DETAILS MAKE A PENINSULA.

五洲大飯店 THE PALACE HOTEL
Managed by THE PENINSULA GROUP

8 Goldfish Lane, Wongsung, Beijing 10006, P.R.C. Tel: (86-10) 512 8899 Fax: (86-10) 512 0050
The Peninsula Hong Kong • Manila • New York • Beverly Hills • The Palace Hotel Beijing • The Kwong Hoi Hotel Hong Kong

LONDON PROPERTY

OPENING WEEKEND
Saturday 21st Oct
Sunday 22nd Oct
10.30am - 5pm

RECEIVERSHIP OF FORMER PURCHASER
**NOW ENABLES
GALLIARD HOMES
TO ANNOUNCE THEIR**

**UNIQUE DEVELOPMENT
OF
LUXURY APARTMENTS
AT
COUNTY HALL**

**SITUATED IN ONE OF THE MOST DISTINGUISHED LOCATIONS
IN THE HEART OF LONDON**

COUNTY HALL
1 Bedroom 43.76 sq m apartment
London SW1 £169,500

COUNTY HALL
1 Bedroom 38.54 sq m apartment
from
£99,000

COUNTY HALL
2 Bedroom 59.85 sq m apartment
London SW1 £215,000

COUNTY HALL
2 Bedroom 54.90 sq m apartment
from
£129,000

State of the Art Security*
Swimming Pool &
Health Club
Luxury Specifications
999 Year Lease

Secure Car Parking*
NHBC Guarantee
Eurostar Terminal 110 m
River Thames 107 m
Houses of Parliament 346 m

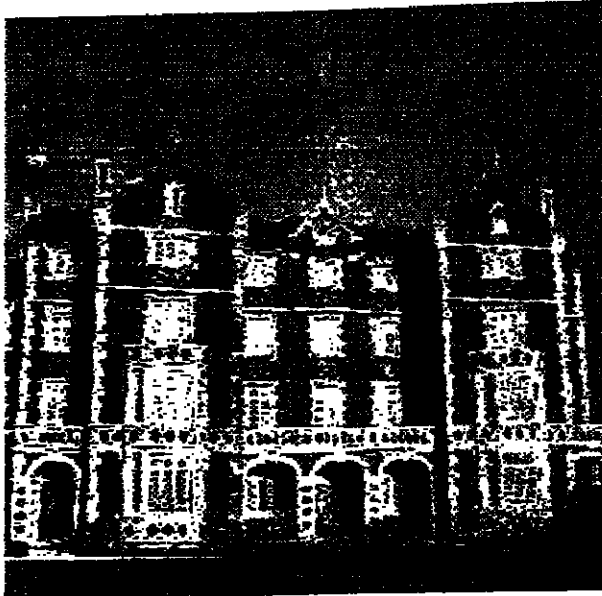
JUBILEE LINE EXTENSION
SPRING 1998
CANARY WHARF APPROX. 12 MINS
BOND STREET APPROX. 4 MINS

SALES OFFICE OPEN 7 DAYS 10.30am-5pm
FREEPHONE: 0171 620 1500

For your convenience
Independent Financial Advisers & Solicitors
will be in attendance
during the Opening Weekend

GALLIARD NATIONAL ENQUIRIES (24hrs)
FREEPHONE: 0800 545658

Stone Hall
Kensington
London W8



TRANQUILLITY and SECURITY in the HEART of LONDON

Stone Hall is a listed building set between two landscaped garden squares, situated in the heart of Kensington Green, offering 9 newly converted flats.

1 bedroom apartments from £285,000 - 2 bedroom apartments from £430,000

* Leisure Centre * 24 Hour security * Underground car parking
* Apartments for a term of 999 years * Portage

FURTHER INFORMATION FROM THE MARRIES ROAD SALES OFFICE
TELEPHONE: 0171 935 3350 FACSIMILE: 0171 937 8194

TAYLOR WOODHEAD

Peninsula Heights
LONDON

View of Apartment 29

PRICES FROM
£370,000

0171 793 1313
FAX: 0171 793 1414

REGALIAN
DEVELOPING IN ASSOCIATION WITH
0171 569 1333
JOINT SOLE AGENTS
CLUTTONS
LONDON INTERNATIONAL AGENTS
0171 834 8922

BUT NEVER THE VIEW

BURTON MEWS
LONDON SW1

THREE NEW
BUTTERFLY HOUSES

Located in a secluded and private mews to the south of Eaton Square, three new individually designed mews houses with garages.

CROSVENOR ESTATE HOLDINGS

Special Features:
3 BURTON MEWS - 34' reception room, 17'6" dining room, 3 bedrooms, 2 bathrooms.
4 BURTON MEWS - 20' reception room, 4 bedrooms, 3 bathrooms.
4A BURTON MEWS - 21' reception room, 4 bedrooms, 3 bathrooms.

Each of these fine properties include contemporary kitchens, high quality bathrooms, gas fired central heating systems, individual intruder alarms and garages.

Leasehold: New Grosvenor Estate 75 year leases.
Prices: From £775,000.

For further information or an appointment to view, please telephone the Sole Agents.

0171 235 8088

NEW TO THE MARKET
FULLY REFURBISHED FAMILY HOME
Charles Street, Mayfair

A fine Grade II listed house, providing bright and spacious accommodation of over 4,300 sq ft.

3 reception rooms, 4 bedrooms, 4 bathrooms, roof terrace and flatlet comprising two rooms and shower room.

74 year lease. Price upon Application
Sole Agents

DTZ Debenham Thorpe
Residential
Mayfair Office
Tel: 0171 485 1161 Fax: 0171 485 2768

NORTH CORNWALL TREBETHERICK
Choice of 4 self-contained furnished and equipped 2 bedroom villas. Use of Leisure and Hotel facilities. Full on site management. Excellent letting return on investment. Close to local beaches, golf courses etc. set in the heart of Betanjan Country. £29,500 Lease Hold. Contact Cole Raymond & White 01208 862299.

COUNTRY PROPERTY
BRODIES
Land and Estate Agency Department
LANARKSHIRE

M74 9 miles Crawfordjohn 3 miles

A WELL ESTABLISHED COMMERCIAL PLANTATION IN A HIGHLY ACCESSIBLE LOCATION.
Principle Species: Silver Spruce
Good Forest Roads
Easy Access to the National Motorway Network
Dedicated Farmhouse
Good Orchards suitable for Open Cast working
ABOUT 175.57 ACRES (258.48 ha) IN ALL
FOR SALE AS A WHOLE OR IN 3 LOTS

BRODIES W.S. 15 Atholl Crescent, Edinburgh EH3 8HA.
Telephone 0131-228 4111 Fax 0131-228 3878

INTERNATIONAL PROPERTY

GASCONY, SW FRANCE

Exquisite small chateau superb condition.
Biarritz & Bordeaux 1hr.
3 reception, 6 beds, 3 baths. Swimming Pool.
Garden's cottage, spacious outbuildings.
8 hectares of parkland. Heavens of irregularity.
Price £290,000

Contact: Ian Purdew
Country Property, St. Mair
32300 Mirande, France
Tel: (33) 62 67 61 50
Fax: (33) 62 67 59 35

SWITZERLAND
Lake Geneva & Mountain resorts

You can own a quality APARTMENT/CHALET in MONTREUX, VILLARS, LES DIABLETETS, LEysin, Gstaad, Verbier, Chamonix, Courmayeur, Zermatt, etc. From CHF 200,000 - Credit facilities

REVAC S.A.
82, rue de Montebello - CH-1211 GENEVE 2
Tel. 41.22 / 734 15 40 - Fax 734 12 20

SWITZERLAND-BARGAIN. 3 bed chateau, ski to front door. First class resort. Tel U.K. + 0181 348 4771

COSTA DEL SOL PROPERTIES Marbella. Offices. For information & Price list ring 0181 903 3761 anytime. Fax 3550

FRENCH PROPERTY NEWS Monthly old, new & sale properties, legal column etc. Ask for your FREE copy now. Tel: 001 947 1854

GEORGE TROLLOPE OBSERVATORY GARDENS KENSINGTON W8

Two luxury penthouse apartments to let in this superb development, both interior designed to the highest standard behind an imposing Victorian facade.

3 Double Bedrooms: 3 Bathrooms (all En Suite): Drawing Room: Dining Room: Kitchen: Cloakroom: Terrace: Balcony: Roof Terrace: Portage Lift: Underground Parking: RENT: £950 Per Week

Sales & Rentals
0171 824 5111

COUNTRY PROPERTY
BIDWELLS
CHARTERED SURVEYORS

HERTFORDSHIRE - near BUNTINGFORD
A most attractive period house with lovely views
Reception hall, 3 reception rooms, study, studio/utility room, kitchen, 3 bedrooms, 2 bathrooms. Pavilion/garden room/bedroom 4. Delightful walled garden. Woodland. Fenced paddock.
In all about 2.29 acres - guide price £400,000

01223 841842

STONECROSS TRIMINGTON CAMBRIDGE CB2 2BU
BURY ST EDMUNDS CAMBRIDGE IPWICH NORTHAMPTON NORWICH LONDON PERTH

LENNOX HOUSE
RICHMOND BRIDGE

Work... rest & play

Only the following remaining for February completion:

- Five 2 bedroom apartments and one stunning penthouse
- 24-hour security
- Leisure facilities
- Nursery

Prices from £220,000

0181 744 0113

Knight Frank & Rutley **DELTA (UK) LAND DEVELOPMENTS PLC** **BEANLEY PEARCE**

Viewing available 7 days a week. Fax: 0181 744 0034

For advertising rates and information, please contact
THE PROPERTY TEAM on 0171 744 0034 Fax: 0171 833 3098

PROPERTY

Parking – it's enough to drive you mad

Gerald Cadogan on the hidden costs of owning a car in London

Keeping a car in central London is quite a game – the owner versus the borough council and traffic wardens. And the goalposts are always on the move as councils paint more yellow lines, create new residents' parking zones or extend the hours that parking rules apply.

Their edicts – backed up by wardens, clamping, towing and financial pain – affect the daily lives of thousands of Londoners and the capital's property market.

It is a short-term contest. It is hard to spot more behind the councils' restrictions than the desire to keep space on the street – a premium product of limited availability – for the use of the people who live there, and not for the use of commuters who leave their cars all day.

Residents' zones are spreading outwards, as in Camden and in Hammersmith and Fulham, forcing commuters to take longer journeys by tube or train.

The long-term issue of private cars on the streets of inner London hardly enters people's calculations, mainly because no policy is apparent. Nor will there be until London has a central authority again to decide such matters.

In the meantime, anyone considering keeping a car in central London must recognise that they are a drain on the emotions and the pocket. It would be rational to use public transport and taxis – and when you need a car, do as New Yorkers do and rent one for a short period.

Yet car owners abound, seeing the machine as indispens-

able for shopping, school runs, going out in the evening or driving to work (provided a parking space is waiting).

The price, of course, is high. Frustrating traffic jams lead to penalty points for speeding when the road clears – the police had brisk business on Waterloo Bridge last week, for example. And being caught leaving the car in the wrong place can easily cost £100.

The nub of the parking problem is that there is not enough space on streets originally designed for horses and carriages. Every terraced house divided into five flats stretches the demand since there is not room for five cars in front.

What happens? Residents' permits exceed spaces available, which may or may not be a problem during the day, depending on how many people in the street have taken their cars to work.

Kensington and Chelsea issues 36,881 permits (at £70 a year each) for 24,500 bays (and has 5,200 metered and pay-and-display bays). Westminster totals are 33,665 permits (£75), and 25,893 residents' bays and 9,727 other bays. Both councils stress that they are trying to provide as much space as they can by scrapping unnecessary single yellow lines, which often used to mark loading bays. Camden has been doing the same.

Kensington and Chelsea permits are the most flexible. They are not divided into zones and offer free parking throughout the borough, while other councils (such as Westminster) have zoned their permits and restrict their use to a small area.

This can lead to anomalies: take note, for example, if you



The road to nowhere: parking problems in residential west London



With precious off-street parking: Stanford Road, London W8

want to live on the edge of Belgravia. One side of the street may be Kensington and Chelsea, allowing access to Harrods, the King's Road and Kensington High Street, and the other side Westminster, with parking allowed only as far as nearby Victoria.

Hammersmith and Fulham in west London is steadily extending its schemes, at about four a year, and none too soon for many residents who have endured gross overcrowding for years.

It intends to cover most of the borough eventually. Then it will have time to review the schemes, perhaps introducing extended hours in some areas so that residents do not lose out on early evening spaces to those who have come from the pubs, clubs and restaurants.

Similarly in Camden, residents' parking even applies on Sundays around Camden Market.

When a new scheme is set up, however, it increases the parking load on any adjacent

free zone, said a Fulham resident who has found herself leaving her small car 15 minutes' walk away since October 1.

Recognising this knock-on effect, Hammersmith and Fulham can only press on with more schemes. New schemes allotting only one permit force a new pattern of life on two-car households.

The options are expensive: buy a garage – owners of classic cars favour the unconverted ground floor of a mews house – or live in a modern apartment block with secure underground parking. But this is much in demand, and hard to find.

John Hunter of Northacre, the developer of Observatory Gardens, W8, estimates that the garages have added as much as 25 per cent to the value of the apartments.

An integral garage may add £50,000 to the price of a house, says David Forbes of Chesterfield, with an off-street space between £25,000 and £30,000.

Lorna Vestey of Knight Frank & Rutley suggests that such parking may add 10 per cent to the value of a house. The most expensive individual garage must be one off Cadogan Square, SW1, which is said to have been sold last summer for £100,000.

Mayfair is an especially difficult area. "Car parking spaces here are like Havana cigars. They never go down in value," says cigar-smoking local agent Peter Wetherell of Wetherell. Residents can obtain concessionary rates in the two big NCP car parks.

The Hyde Park estate in W2 is easier, as most apartment blocks have underground parking and many houses have a garage or secure parking is available nearby, says Allison Treener of Chestertons Residential's Hyde Park office. In turn there are always meters and residents' spaces free on the street.

And what is for sale? In Mayfair Lassmans (0171-499 3434) offers a house in Farm Street,

W1, with integral garage for £1.95m, or take a flat in a small block off North Audley Street with garage for £425,000 through Chestertons Residential (0171-629 4513).

Going half a mile north, the London Mews Company (0171-402 3275) lists two mews houses off Devonshire Street, W1, one with space for three cars (£275,000) and one for five (£290,000) but in need of work. In Lancaster Mews, W2, a similar mews house is available for £275,000.

A mews house in Belgrave Mews West costs much more, £910,000 from KFR (0171-824 8171) – which must include a premium for the possibility of enfranchisement (the ground rent being only £50 a year). KFR's Kensington office (0171-938 4311) offers two terraced houses in W8 with off-street space. One in Allen Street costs £720,000, and one in Stanford Road £1.1m.

Whether these spaces will still be any use in 20 years is an open question...

LONDON PROPERTY

CAPITAL GRADE II LISTED TOWN HOUSES IN SW9

This impressive pair of four storey Georgian townhouses, on the Clapham Road have been sympathetically refurbished to the highest standards. The elegance and proportion of this majestic era blend together with the comfort and convenience of the best of today, creating these unique homes of character.

No.127 - four bedroom £285,000 No.129 - five bedroom £350,000

For full information contact

BELLWAY HOMES
0171 793 1816

HAMILTON BROOKS
TUDOR STREET LONDON EC4

Grade II listed period building converted into four one and two bed apartments

*original features retained *comprehensively fitted kitchens *lux bathroom with shower in 1 bed apt *fully carpeted *sash windows *large well proportioned living rooms and video entry system *low service charge *long lease *all apartments approximately 700 sq. ft.

Unique location minutes walk to Temple Chambers and Blackfriars Tube

Prices from £140,000
0171 638 2153

ARTESIAN ESTATES

Cundalls
EAST YORKSHIRE RECTORY FARM THWING
230.60 Hectares (570 Acres)
I.A.C.S. Registered 220 Ha. (545 Ac.)
WOLD FARM

Predominantly Grade 2 Land with Road Access and Mains Water to all Fields

For Sale by Private Treaty as a Whole or in Seven Lots

15 Market Place, Malton, North Yorkshire. YO17 0LP
Tel: 01653 697820

BUYING FOR INVESTMENT OR OCCUPATION? We find the best opportunities in London and Cambridge providing a full package service: Acquisition, Finance (from 4.9% fixed), Furnishing, Letting & Management. Tel: 0171 711 4531 Fax: 0171 495 0044

MAYFAIR W1. Immaculately presented stylish 2 bedroom apartment in prestige block. £345,000. Home & Sons. 0171 495 0044

KENSINGTON/CENTRAL LONDON. Largest selection of quality properties. £180-£1,500 p.w. From 3 wks to 3 yrs. Check Availability 0171 782 0792. 10-7pm

INTERNATIONAL PROPERTY

ITALY New property brochures. Houses, apt, villa. New restored or to restore. Sea, Lake or country location. Phone CASA TRAVEL 01322 600888 fax 01322 600888

GUERNSEY Shelds & Company Ltd. 4 South Esplanade, St. Peter Port. One of the island's largest independent estate agents. Tel: 0481 714445 Fax: 0481 713011

A SPECIAL LIMITED EDITION OF
3 BEDROOM APARTMENTS
AT
COUNTY HALL
FROM
£269,000

- STATE OF THE ART SECURITY*
- INDOOR POOL & HEALTH CLUB
- SECURE CAR PARKING*
- EUROSTAR TERMINAL 110m
- PALACE OF WESTMINSTER 140m

NOT EVERYONE CAN ENJOY A PALACE ON THEIR DOORSTEP.

GALLIARD SALES OFFICE OPEN 7 DAYS 10.30am-6.30pm

TEL: 0171 620 1500

GALLIARD NATIONAL ENQUIRIES ON MOBILE
FREEPHONE: 0800 545 658

GALLIARD HOMES LIMITED
24 OLD BURLINGTON STREET, LONDON W1X 1RL

*The Security System is tested and forms part of the service charge. It reserves the right to alter specifications and prices without prior notice. The photograph shows a model of the building but does not indicate the position or effect of any additional buildings which may be erected in the future. £4m additional cost.

COUNTRY PROPERTY

BLISS MILL
Oxfordshire

COUNTRY APARTMENTS

Bliss Mill offers City convenience in some of England's most beautiful countryside.

The luxury of the apartments and cottages, swimming pool and leisure facilities have made this a popular Cotswolds retreat.

The final apartments are now available.

THE MILL
1 bedroom from £90,000
2 bedrooms from £145,000

THE COTTAGES
2 bedrooms from £145,000
3 bedrooms from £158,000

SALES OFFICE
01608 645001
Open Friday - Tuesday By Appointment

SAVILLS
01295 263535

ISLE OF WIGHT

Ideal mild farming climate. Very good sailing, sea fishing and swimming. Relaxing peaceful atmosphere and yet within 2 hours of London. Delightfully positioned in lovely country.

RESIDENTIAL STOCK & ARABLE UNIT of particular interest to equestrian enthusiasts

CHARACTER FARMHOUSE TRADITIONAL BUILDINGS with planning permission for conversion and further potential.

STUDIO FLAT EXTENSIVE MODERN BUILDINGS 218 ACRES with approximately 81 acres registered

SAND EXCAVATION SITE Available as a Whole or in 2 Lots. Overall guide price £485,000

Particulars & plans from the Sole Selling Agents
GEORGE CREASEY AGRICULTURAL, 139 High Street, Newport, I.W. Tel: 01983 524268 Fax: 01983 526722

INTERNATIONAL PROPERTY

For Sale - Cote d'Azur

Rare and lovely 18th century seaside magnificently renovated and consisting of main house with 7 bedrooms, gardener's gate house and bergerie. It is quietly situated in 15 acres of grounds, south of Grasse, and less than half an hour from both the Croisette and Nice airport.

Call Riviera Retreats
(33) 93 64 86 40 or
fax (33) 93 64 86 88

BOCA RATON/PALM BEACH FLORIDA Waterfront & Golf Course Homes. Commercial Invest. Buyer Rep. No Fee. Contact: Robyn Gervase, Realtor, Fax you Tel & fax you for details. Fax: USA 407 241 8828 Tel: USA 407 241 8828.

HISTORIC rural site, 20 mins Siena. 7 spacious, luxury hse; prime location, CH, Tel, post etc. Track record & reasonable price. Plus widest selection in 9 regions. Brian A French & Ass. Tel 0171 284 0114.

COTE D'AZUR, ALPES MARITIMES & VAR SPA (EU) have for sale a very wide range of villas and apartments and welcome your instructions however specific and detailed. Tel: 0171 453 0806 Fax: 0171 483 0438

BROWN & CO

The Gunthorpe Estate
Norfolk
2976 Acres (1204 Ha)

The Risby Estate
North Humberside
2666 Acres (1078 Ha)

A Most Prestigious Agricultural and Sporting Estate

5 Tenanted Farms
A 220 Acre Vacant Farm and 364 Acres of Woodland
Current Rent £139,329 per annum

Details from:
Nigel Wild/Nick Dawes

An Exceptional Estate with Sporting Potential

7 Tenanted Farms,
102 Acres of Vacant Land and 174 Acres of Woodland
Current Rent £129,745 per annum

Details from:
Martin Herbert/Andrew Sprawson,

Grantham Office Tel: (01476) 591991 Fax: (01476) 594242

PROFESSIONAL STRENGTH IN THE COUNTRY

OUTDOORS

Motoring / Stuart Marshall

A brave new world at London's show

With British buyers reluctant to spend as freely on new cars as the industry and trade would like, there is a distinct lack of the feelgood factor in dealerships - but not at the London Motor Show, which is braver and more up-beat than ever. It opened at Earl's Court exhibition centre this week and runs until next Sunday. Most of the star exhibits are making their UK debut after being unveiled at Frankfurt last month.

An alphabetical list of all the exhibits would be nearly as long as a London telephone book but some stands should not be missed by any potential buyer or user-choser even though, in many cases, the cars may not be in dealerships for weeks, even months, to come. One is the new Rover 200: it is not being launched officially until the spring but is making a surprise first appearance at Earl's Court.

The Fiat Brava five-door and Bravo three-door, and the Renault

Megane (see adjacent story) are essential viewing for those contemplating a change from their Escorts and Golfs. Come 1996, they will be raising the temperature in this most hotly contested sector. For the same reason, Honda's three and four-door versions of the Civic and the Nissan Sunny's successor, the Almera, deserve a careful look.

The front-end styling of the new Ford Fiesta might not be to everyone's taste but the car has been upgraded so much in performance and refinement that it feels half a class above the old one.

Among mid-sized family-cum-fleet cars are the Peugeot 406, Vauxhall Vectra, Mitsubishi Carisma and Volvo S4. The 406 and Vectra are straight replacements of the 405 and Cavalier whereas the S4, which shares a lot of the Carisma's underpinnings, falls between the Volvo 400 and 850 in size and price.

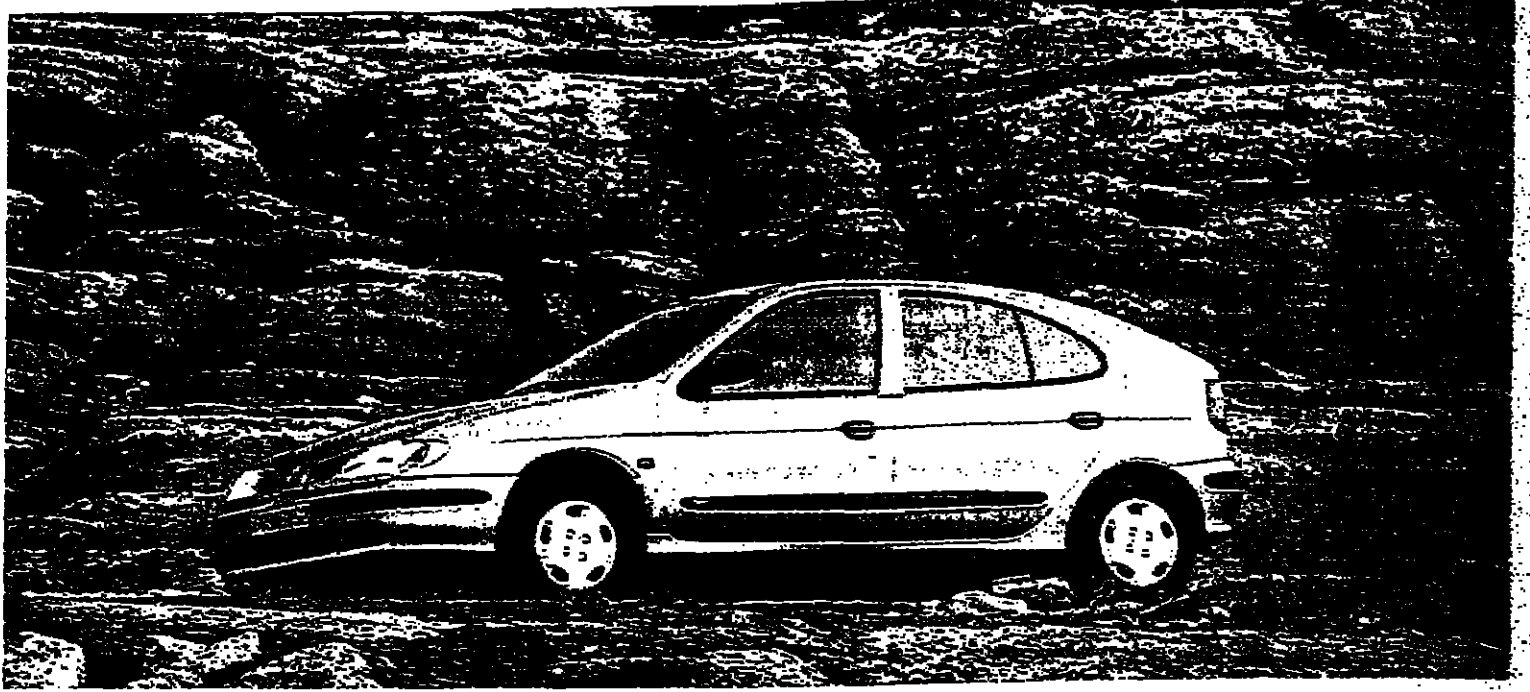
Chrysler's return to the UK car market is foreshadowed by the Neon - a two-litre, four-door saloon

of European dimensions and handling but decidedly transatlantic detailing. Expect highly competitive prices when it arrives early next year.

User-choosers and affluent private buyers get their first opportunity to see a new standard-setter from Germany, the Mercedes-Benz E-Class. More of this next week.

Two newly arrived estate cars will be challenging that established favourite, the Ford Mondeo. They are the Citroën Xantia and Renault Laguna. While the Xantia wins hands down for elegance, the Laguna - which replaces the Savanna - is a touch roomier and can be had with seven seats.

New multi-purpose vehicles can be seen on the stands of Citroën, Fiat, Ford, Honda, Peugeot, Seat (its Alhambra is due in Britain in the spring) and Volkswagen, while a version of Ford's Galaxy is being shown with permanent four-wheel drive and leather-trimmed swivelling chairs.



Renault's challenge

Having sampled three versions of the new Renault Megane, I am confident that for build quality, performance and refinement it will give its class rivals a good run for their money, writes Stuart Marshall. It goes on sale in France next month as a five-door hatchback (pictured) and three-door coupé but will not reach Britain until late spring next year. Initially, buyers will have a choice of 1.6-litre, 1.8-

litre and two-litre petrol engines; 1.9-litre diesels and turbo-diesels will follow soon. Some will be offered with a clutchless gear-shift. Mainstream power unit is a 90hp, 1.6-litre development of the Energy engine from the Renault 19 which the Megane replaces. It spins sweetly, pulls smoothly at low

speeds and I found it surprisingly vigorous. Although the 1.6-litre will be the entry model for Britain, I liked it best because it rode more softly than the 1.8 or two-litre models, which have slightly stiffer suspension and wider tyres. Power steering is standard and the five-

speed gearbox has a light, positive shift.

Renault has ambitious plans for the Megane, which looks like the Laguna's younger brother. Within about a year, a four-door saloon; a cabriolet and a space-style four-seater, multi-purpose vehicle will be added to the range.

The five-door is a roomy 4/5-seater with a large boot. The three-door coupé is a genuine four-seater but boot space is less generous.

Gardening / Robin Lane Fox

An end to the midsummer dream

Sometimes it all goes right - and it has gone better than ever in the past month. Gardeners are enjoying a dream autumn, better than any I remember in 40 years at the game. The light is soft and variable. The rain is intermittent and the soil is perfectly workable, a blessing to anyone still planting bulbs.

I cannot understand those gardeners who think the whole business is past its peak in mid-July. This year, October has outlasted all other seasons, just when traditional gardeners have shut themselves to the public and started to think about raking leaves.

I will never be tempted again to spend serious money on improving a lawn. Every year, we do all the recommended things to the front lawn in my Oxford college and, every year, I do none of the recommended things to my own lawn at home. The result is that my own lawn is as vibrantly green as anyone's mental image of Galway, while much of the

lawn in Oxford is stone dead.

The dry summer hit fine grasses hardest and, on principle, we would not water. The fine grasses died, whereas my home mixture of rye grass, daisies and mixed vegetation sprang back into vivid life after the serious rains in September. I have seen this effect too often to be seduced by advertisements for yet more activity and expense in search of the perfect sward. They land you with a fragile covering of fine green which is quite unable to survive the summer at its fiercest.

Only this spring, I was blaming myself for the poor state of the turf. If I had done anything which the experts suggested, I would now have a brown prairie into which clover and moss were re-appearing. The keen

gardeners who know most about plants never seem to waste time on lawns. In future, I will not even blame myself for trying to imitate them. Elsewhere, the best things have joined with some delayed things in perfect light and shade and reminded us all why gardening can be an anticipation of heaven. The second season came late on many roses after the dry summer. Some of the phloxes started again and there is a mass of flower on late clematis, especially the yellow-flowered varieties.

Some of the stars of summer have re-awakened after missing their turn in the dry August. My personal star is the little-known *Abelia chinensis* against a south wall.

This evergreen shrub seems to be hardy but is mentioned

less than its taller cousins. It has rounded clusters of flower in palest pink which ought to appear in August. They are flat out now, giving off a wonderfully sweet scent. I recommend this neat and easy grower strongly to anyone with space on a low, warm wall.

Older favourites are outperforming their high standards. Last year, I gave serious space here and in the garden to the many good Michaelmas daisies, grown beautifully in the national collection of Paul Pictou at Old Court Nurseries, Colwall, Worcestershire. In the care of the Pictou family, scores of varieties look their best. But I can now confirm that some of them look almost as good in the hands of a hard-pressed scribe.

Unless you like mildew, the

right course is to opt for the smaller-flowered varieties, such as *amellus* or *cordifolius*, or the novae-angliae varieties, which are so much healthier. The small-flowered forms like my dry soil and seem unbothered by the recent drought.

Everything bought in Colwall has been excellent but the best is a marvellous, mid-blue variety which stands out with metallic clarity. Aster Little Carlow is available widely but few of the great authorities seem to dwell on it. It is about 3ft (0.9m) high, better when staked lightly and quite exceptional, even in this exceptionally rewarding family.

The tall Aster Chieftain is almost as good, and the low sprays of flower on *Cinderella* and the familiar *Pink Cloud* are unstoppable anywhere. All

of them can be divided into dozens of plants in their second spring and they need no complicated spraying or manure.

This year, they have coincided with my best delayed yellow daisies, the tall old *Helianthella quinque nervis*, as *heavenly* now call it. This remarkable plant is rampant, 5ft (1.5m) tall and forgotten almost entirely, although it used to grow in village gardens before *Gardeners' World* distorted their horizons.

Showers of blue asters stand beautifully beside the unstoppable *helianthella*. I have no idea if blue and lemon yellow are acceptable on the scientific charts with which authors now try to direct us but, to my eye, they have always been a special pair, especially when the

light softens in autumn. And, this year, they have been joined by another belated discovery.

Perhaps you know the same catalogue sensation, when you start turning the pages hoping to find the perfect plant which is not yet known to you. By the time you reach "B", you start to despair and end up ordering yet more *salvia* and *compro* mixing with a tradescantia.

In your early optimism, you hurry past old friends such as *chrysanthemums* (which have, anyway, been renamed and stuck under the letter "D", to my disgust). A hardy *chrysanthemum* for September and October will not stop you in your tracks, even less so as it is billed as an apricot orange.

This year, I relented and tried one plant of *Chrysanthemum*.

mum Mary Stoker. It is excellent, a soft and pale apricot which goes wonderfully with the blue asters and needs no attention. One plant, unattended, has thrown up scores of stems in this dry summer and now asks to be increased in quantity from its easy cuttings. There are others in this hardy category, but Mary Stoker has that special something and I cannot say any of the others is quite so good.

Eventually, I think I might have found my gardening vocation. I am an October gardener when the choice is narrower but knowledge pays off, not just at the upper level of autumn leaves.

The hardy plumbago has never been so brilliant a blue: the asters are everywhere; my incorrect turf looks wonderful and, here and there, my personal signature is arching with flowers as never before - the remarkable *lespedeza*, which looks almost dead every year until mid-July. Why ever are we made to think that gardens are only a midsummer dream?

LONDON PROPERTY

Phase I 95% SOLD

Phase II

LEATHERMARKET SQUARE

AVAILABLE NOW!

Leathermarket Square SE1

This prestigious development in SE1 is proving so popular Phase II is now released. Conveniently situated in the geographical heart of London, Leathermarket Square offers a choice of superb, high specification one, two and three bedroom apartments and a two bedroom maisonette.

SALES CENTRE OPEN DAILY 10.30am - 6pm

Telephone: 0171 378 8274

BELLWAY HOMES

CAPITAL APARTMENTS
2 bedrooms, 2 bathrooms
FROM UNDER £100,000

LXRY ACCM
FOR LGE FAM.
STNG RM. DNG RM.
BDRM. EX VIEWS.



THE ESPACE RANGE HAS
FLEXIBLE ACCOMMODATION FOR UP TO
7 PEOPLE FROM JUST £16,580.
DRIVE AN ORIGINAL DRIVE AN ESPACE.
TELEPHONE 0800 52 51 50.

INTERNATIONAL PROPERTY

GUERNSEY

A spacious house, set within some 1.5 acres, with paddock and swimming pool. Comprises hall, cloakroom, lounge, dining room, kitchen/breakfast room, games room, study, sun room, 4 bedrooms (1 en suite), 2nd bathroom, swimming pool, changing rooms, 3 garages, gardens and parking.

PARKES

22 Le Borge, Guernsey GY1 1DE
Fax 01481 713819 Tel 01481 726798

Price on application

AFRICAN GAME RESERVE

1/14th SHARE

One of the last true wilderness areas, 11000 acres in Botswana, set in a conservancy area of 300 000 acres, contains largest herd of elephants on privately owned land anywhere in the world. Lion, leopard, cheetah and a wide variety of game. Thatched lodge, bushcamp, 1000 metre runway and hangar, game drive vehicles etc. The reserve is accessible and professionally managed for owners and guests.

Price £ 175 000

Contact Peter Pitt

Tel: +27 11 706-2414 or Fax: +27 11 706-7623.

MONTE-CARLO

Metropole Palace

For Rent in luxury building with swimming pool and hotel service. Apartments available, air conditioned, parking space, storage room. (14)

AGED

79 Bd des Moulins MC 98000 Monaco
Tel 33-92 165 959 Fax 33-92 501 943

BOCA RATON

FLORIDA

Oceanfront condo 2 bed/2 bath, living rm., kitchen, balcony. Ocean views. Heated pool, sauna, exercise rm., underground parking. 24hr security, live-in manager. Best location. Move-in condition. Price \$189,000 fully furnished. Other properties available in various price ranges.

Maria Parkanyi - Glendale Realty Inc
One South Ocean Boulevard
Boca Raton FL 33432 USA
Tel (USA) 407 750 5755
Fax (USA) 407-295-2297

SWITZERLAND FOR FOREIGNERS 20 years experience in Swiss property. Unparalleled selection of holiday chalets and apartments, from SF500 000 chalets, 50 000 1 bedroom, 225 000 2-3 bedrooms, 240 000 chalets. Over 80 locations. VILLAS ABROAD: 0181 881 5444 Fax 0181 882 0204

IOANNIDES DEVELOPERS LTD.

Exclusive high quality villas, apartments, mansions, castles, luxurious, peaceful, picturesque, mountainous. For further info & brochures, Box 8547, Limassol Cyprus. TEL 05-384877, FAX 05-384974.

CÔTE D'AZUR, LAVANDOU. Provincial villa plus independent apartment. Exceptional location on coast. Swimming pool, 2000 sq. m. land. Overlooking sea and panoramic hills. Price: FF3,900,000 Fax 33 94 05 84 77

COUNTRY PROPERTY

BUCKINGHAMSHIRE

Main line station (Easton 45 minutes) 1/2 mile.
Tring 5 miles. Leighton Buzzard 5 miles. M1 10 miles

An elegant early 19th century rectory with far reaching views over the surrounding countryside.

5 reception rooms, billiard/games room, principal bedroom with dressing room and bathroom. 5 additional bedrooms, 2 further bathrooms, cellarage, garaging, heated swimming pool, tennis court, gardens, paddock.

About 4 1/2 acres. £550,000 Ref: CGM

Aitchisons

Country House Department Tel: 01442 873901 Fax: 01442 862405

GEORGIAN COUNTRY HOUSE

near Alnmouth Northumberland

In elevated position. Hall, three Reception Rooms, seven Bedrooms, five Bathrooms, utilities etc.

Also Cottage Annex: One Reception, two Bedrooms.

Contact Agents:
George F. White
6 Market Street, Alnwick Northumberland
Tel. 01665 603581

KENSINGTON/CENTRAL LONDON.

Largest selection of quality properties. £180-£1500 ghw. From 3 wtd to 3 yrs. Grand Apartments 0171 782 0762. 10-7pm

PROPERTY FIND: We can find the property you want. Call Mike Tall on 0171 584 5004

COUNTRY RENTALS

BATH Wide selection of property to let £400-£3.000 p.m. Challenge Estates 01226 445445 Mon-Sat 9.5-5 Sun 10-2

SCOTLAND. To let for 5 to 10 years. Large family house, 4 bedrooms, 4 reception rooms. 22 miles north of Inverness. Smiths Gate, Fochabers. Tel: 01343 820213



James Morgan

A wind by any other name blows as hard

Would hurricane Adolf do more damage? Could a Ryan lead his country?

In the old days hurricanes hardly happened and when they did were named after jolly sounding girls. Then deregulation and gender equality took over and we faced hurricane Hugo and such like.

Last week I read in the *Washington Post* that there are in fact strict rules on the naming of hurricanes. "They have to be chosen with due consideration for ethnic and cultural sensitivities," said an official. "You could not have a hurricane named after Idi Amin."

That, like so much in the US, is code. What it means is "You can't have hurricane Samba."

Actually, hurricane Idi sounds

perfect. So too does Adolf, Benito and Caligula. But the official has a good point: if hurricane Mohamed were to wipe out half Florida, many would derive a peculiar satisfaction from such an event, but many others would not.

In this mother of all hurricane seasons, it is evident that the spirit of the great wind, or whoever is in charge of such matters, has not been appeased by the naming authority's sensitivity. In fact, the decisive argument against my list of possible names is the evidence of history itself. Once hurricanes became male they also became more frequent, damaging and costly. Naming a hurricane Adolf

could well constitute excessive provocation as it strove to live up to its title.

Since things were better when hurricanes were female, one is driven to conclude that their names should be restricted to those of 19th century heroines - Charlotte, Elizabeth, Lydia, Jane and such like. These would maximise femininity and graciousness. The official need not worry about cultural and ethnic sensitivities, as the list is drawn from the one group in the US with no active ethnic lobby.

I am not sure whether such a move would challenge or confirm the unacknowledged modern con-

vention that the name has to fit the job. This is so powerful that we need an explicit theory of nomenclature to explain it and the name explosion which is such a feature of our time.

The phenomenon has many roots. The free market has been a particularly important force, with its endless brands of car and soap which need baptising. But people get called the most amazing things in a deregulated society. You know you are in a traditional society when every second man is called Juan, Jan or Ion. The countries with the fewest grass-roots traditions are those most abundantly endowed with names.

Britain and the US lead in this field. Anything will do. Kent, for example, was once an only moderately silly name for a little boy. But in the US last week I saw a female television presenter called Kent. Darryn succeeds Darren, and huge sections of the population end up sounding like brands of cheap shampoo. In old-fashioned societies, the name pool is smaller and everybody knows how to spell those names that are available.

But no matter how bizarre the variations, even in the most deregulated societies the name pool remains small for certain types of people. William, George, Ronald and John dominate the com-

temporary list of politicians, just as they dominate the memorials to those who died in the first world war. The wives and sisters of those heroes were always called Margaret. It is no wonder that John Major defeated Neil Kinnock in 1992.

If you are called Wayne or Gary, any success you enjoy will be confined to the sporting field. What this tends to confirm is the myth of deregulation: people believe deregulation means fewer rules, in fact, it always leads to more. Thus in France or Italy one does not assess a man's social position by his name alone. In the US and Britain no credible leader could be

called Ryan or Kevin. Similarly, people with back-to-front names, such as Warren Christopher, the secretary of state, and the lawyer Clark Clifford end up near, but not at, the top.

It is not only hurricanes who are given specific characteristics by their names. I discovered, having New York a week ago on an overbooked aeroplane, that I am a perfectly formulated bucket-shop, economy class passenger. The (Afro-American) lady at the check-in said: "At last, one man, one bag and a simple name." I got a seat.

James Morgan is economics correspondent of the BBC World Service.

In search of Poland's looted treasures

Negotiations for the return of the spoils of the second world war are proving tricky, reports Christian Tyler

Probably no country - not even Russia - suffered so much in the second world war as Poland. About six million people, Jewish and non-Jewish, were killed out of a population of 35m. As much as half, it has been estimated, of all the country's cultural treasure was looted or deliberately destroyed.

Fifty years later, the dead have been mourned and many of the buildings have been reconstructed. But negotiations for the return of the booty have scarcely begun.

National treasures have unquantifiable cultural value as well as a quantifiable commercial price. It is this which makes demands for their return so charged with passion - think of the Elgin Marbles.

In Poland's case feeling runs especially high. Not only was the country occupied by both German and Russian armies, but the plunder and destruction - such as the Wehrmacht's torching of the Kracynski Library of historical manuscripts in Warsaw - was systematic. It was designed to wipe Polish culture from the pages of history.

Negotiations have been further complicated by the post-war change of borders which brought a slice of Germany into Poland and left a slice of Poland in the Soviet Union.

During the occupation, the Polish underground determined to seek full reparation: whole galleries and libraries in Germany were earmarked on a list which amounted to between 20 and 30 per cent of the occupying nation's cultural assets.

Some Polish treasures were repatriated immediately after the war, such as the monumental gothic altarpiece by Veit Stoss, which was returned to St Mary's Church in Krakow. Also recovered were two of the three Old Masters taken by Hans Frank, governor of occupied Poland, from the Czartoryski collection in Krakow. Frank had packed Leonardo's *Lady with the Ermine*, Rembrandt's *Landscape with the Good Samaritan* and Raphael's *Portrait of a Young Man* in a box, written "L.R.R." on the lid, and sent the haul to his

villa in Bavaria. The Raphael is still missing.

Only after the fall of the Berlin Wall and German reunification could negotiations with the German government begin in earnest. At a meeting in 1992 the Poles secured their first token: the return of a hoard of gold and silver coins and ancient jewellery stolen from the archaeological museum in Poznan. For the moment, negotiations seem stalled, but the Poles have an ace in their hand.

Few people know more about the difficulties of negotiating post-war restitution than Wojciech Kowalski. Until the change of government last year he was commissioner for Polish cultural heritage abroad, reporting directly to the prime minister.

He is a lawyer, born 45 years ago in the Upper Silesian town of Gliwica where, he explains

Poland suffered - but it accidentally acquired property, too

with an ironical laugh, the war could be said to have begun. It was there in 1939 that a gang of Germans dressed in Polish uniforms attacked their own radio station to give Hitler a pretext for the invasion and occupation of Poland.

Kowalski's training in patent work and intellectual property rights is appropriate to the complicated task of assessing the intangible value of cultural artefacts. But he stresses that Poland is no longer seeking the kind of wholesale reparation envisaged during the conflict. It is seeking restitution of its possessions, where these can be identified.

"I never used the word 'reparation' during negotiations," he says. "And I don't think it will be, because it would be very difficult to find a legal basis for it. We don't see this as a form of punishment of Germany, especially of present Germany. We think that it

should be a European kind of solution, in what is really a multicultural region of Europe.

Kowalski would like to see the Germans give help - though not financial help - with reconstruction. The problem is that most of the architectural restoration work has already been carried out. There are only a few places, such as the Uphagen House in Gdansk, to which missing interiors could be returned.

Although Poland is drawing up an inventory of objects lost, few have been tracked down. Because of Hitler's ideological decision to abolish Polish culture and turn Slavs into slaves, the Germans made no record of their Polish or Russian booty, whereas they were meticulous about their west European loot. Kowalski says that the Rothschild collection found by the Allies in Bavaria, for example, came back with a fuller catalogue than when it left.

The most important cultural treasure in Germany that the Poles have identified, Kowalski says, is the "Pontifical", a 13th century liturgical manuscript from the library of the cathedral at Plock which is now in the Bavarian state library.

A large proportion of the Nazis' Polish loot ended up in Russia (along with the Red Army's German loot, which included such items as Heinrich Schliemann's Trojan treasures). Some objects have been returned, such as the bronze memorial tablets taken from Poznan cathedral by the Nazis and found in the Hermitage museum, St Petersburg. But although Poland's 1993 treaty with Russia is said to provide a better legal basis for negotiation than the equivalent German treaty, information is hard to come by.

Poland suffered extraordinary cultural devastation, but it accidentally acquired property, too. Valuable found in the former German territories, for example, were carted off to Warsaw for safekeeping. Local museums (now Polish) are demanding them back. "Of course, the Germans will always tell you we looted these territories," said Kowalski. An incidental gain was the



Unfinished business: Wojciech Kowalski says the return of Polish treasure would not be a form of punishment of Germany

so-called Lyons Collection of Chopin material, stolen in France and proudly exhibited at the Jagiellonian Library in Krakow, which Hans Frank made his "capital". There it remains.

Another was Hermann Goering's collection of vintage aeroplanes, moved to the east to protect them from Allied bombing in 1941. By coincidence, the 23 aircraft are almost exactly the same in number as a destroyed Polish collection. They are unlikely to go back to Germany.

But the great prize - and Poland's most potent bargaining counter - is an almost priceless collection of 400 musical autograph scores now in the Jagiellonian library. The centrepiece of the former Prussian State library in Berlin, the collection includes Beethoven's Eighth and Ninth Symphonies, Act One of Mozart's *Così fan tutte*, Mendelssohn's *Midsummer Night's Dream* and examples of the work of every German-language composer of note from Telemann and J.S. Bach to Bruckner. The collection also contains early Italian opera scores and Goethe manuscripts.

The Berlin collection fell into Poland's lap because it, too, was removed by the Germans from Berlin for safety and

stored in a monastery in the Krzeszów (formerly Grossau) area of the Sudeten mountains. For years, its whereabouts were kept a secret by the Polish communist government until, in 1977, one of two of the best items, including the two Beethoven scores, were presented to the East German leader Erich Honecker.

The collection would appear to be an archive of specifically German cultural heritage, but the Austrians have claimed it too, on the grounds that most of the music was actually written in Vienna. Poland, meanwhile, has claimed legal ownership, but seems ready to trade. Kowalski says: "If you are the owner you can do what you want with these objects." And that includes giving them back.

But there are obstacles to a trade-off. One is Germany's understandable refusal to accept Poland's ownership. Another is the shortage of traceable Polish treasures to ask for. A third is Polish public opinion. "We didn't destroy, we didn't loot, and now we have to give something back?" says Kowalski. "How could you explain that to people?"

This is very much the feeling at the Jagiellonian University itself. For one of the first acts of the occupying Nazis was to

send its top professors to almost certain death in concentration camps in Germany.

An answer would be to encourage Germany to make a symbolic reparation, perhaps by building the university a new wing. "They could even call it the Collegium Germanicum," says Kowalski. Or they could rebuild the Museum of Silesia, completed in 1939 and immediately dismantled on the grounds that its architecture was "too Polish".

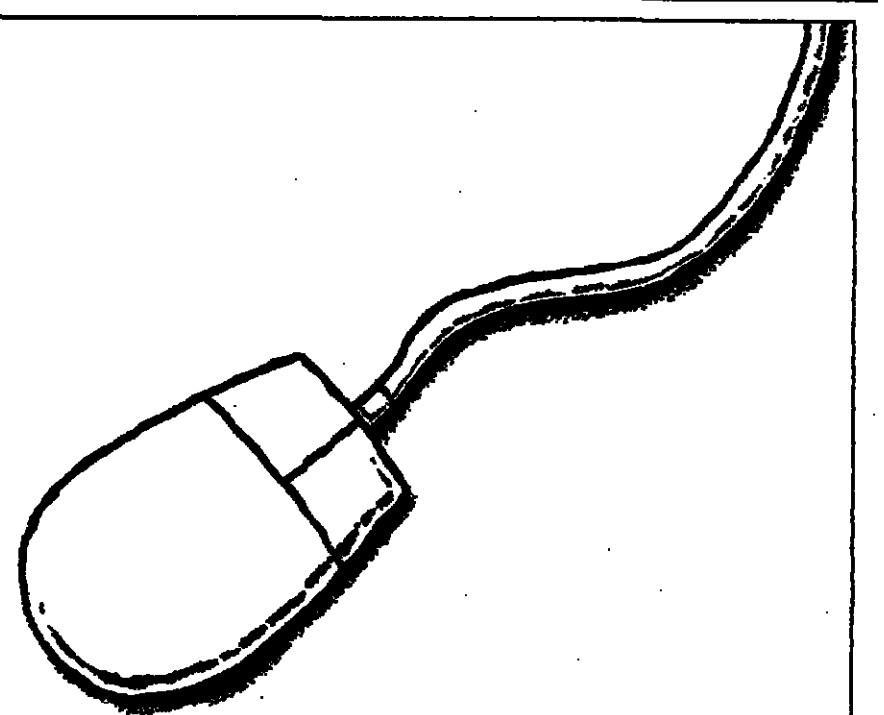
There is a further complication. Some cultural objects are so important, it is argued, that

they transcend national boundaries. If the Berlin collection of musical manuscripts is to be included, the Poles may argue it is immaterial where it is housed - especially in an age of cheap air travel - provided it is well looked after and made properly accessible.

In 1943 an Englishman wrote to the *London Daily Telegraph* suggesting that whole museums in Germany should be emptied and the contents distributed to nations ravaged by the Nazis as a permanent reminder that war does not pay. Fifty years later, the

demand for vengeance has been muffled. Kowalski says: "It would not be correct. They have many such sights to remind them. We cannot fill the whole country with reminders."

For him it is a question not of vengeance but of unfinished business. "We cannot change the place of Poland. We have our common border with Germany, and we both try to do our best. We can settle the old problems, but we cannot create new bones of contention. We are really thinking in terms of a united Europe."



CLICK ONTO KPMG CORPORATE FINANCE.

The management of Specialix, a computer software solution provider, did just that. We advised the Management team on their £17m management buy-out, one of the largest in the sector, which was successfully completed this summer. KPMG Corporate Finance provides deal management that combines professionalism

with the determination to get the deal done. To open the Corporate Finance window contact your local Corporate Finance Partner or Neil Lerner, UK Head of Corporate Finance, 0171 311 8620.

KPMG means business

KPMG Corporate Finance is a trading name of KPMG which is authorised to carry on investment business in the United Kingdom by licence from the Financial Services Authority.

Truth of the Matter / Hugh Dickinson

A punishment fit for society

Like autumn crocuses, Lauranawda is the flavour of the month - the brand name of a packet of breakfast fare served up to the Party Faithful and the rest of a sceptical nation via the media in October every year. It also pops up when criminals escape from prison or when some particularly horrendous crime or statistic hits the headlines.

Sadly, it has come to mean a blind gut-reaction which promises, but does not always deliver, more punitive, repressive and incoherent policies for treating criminals when they are caught.

The guts to which populist ministers deliver their calculated dose of curried venom are the already inflamed intestines of the most prejudiced, vengeful and frightened sections of the population. The inevitable result is a nasty smell or something worse.

Offering ever more vengeful, punitive and vindictive treatment of offenders is clearly intended to win the approval of this irrational constituency; it will not be long before the length of sentence will be decided not by the judiciary but by a tariff agreed by the Party Faithful who cheer tumultuously when someone

offers to bring back capital punishment. The alternative is not to deliver criminals into the hands of the sappy "Do Gooders" so derided by Judge Michael Argyle; it is to have a rational and widely agreed penal policy which balances the complex components of a just, effective and morally defensible way of treating crime and punishment.

Penal policy should not be allowed to be a party political matter - frankly, politicians are now clearly not to be trusted with such an important touchstone of a truly civilised society. What we do with criminals is a thermometer of our own moral condition. Not even to recognise that terrible truth argues a hardening of the moral arteries.

A rational, effective and morally defensible penal policy has to take into account and balance five determining strands. It must deter. It must be just - in the sense that the punishment must be what the crime deserves, no more and no less. It must address and if possible reform the individual criminal. It must be humane. It must protect society. If any one of those strands is neglected the rope will not hold.

It is quite clear that we have no public forum in which the balancing of

these strands and their relative importance can be debated and decided. Parliament has grossly failed us by making it a matter of public posturing. The evidence is never attended to.

There is ample evidence that certain forms of extreme punishment - like the electric chair - which are advocated as deterrents, do not in fact deter. That agonising death designedly satisfies the gut demand for vengeance of frightened and hateful people. Longer sentences do not deter. Douglas Hurd pointedly remarked that in most cases the effect of imprisoning young offenders was to make bad people worse.

If it could be shown that the policy of the young offenders unit near Gloucester effectively cut recidivism to 15 per cent (as opposed to 65 per cent) would that be an irrefutable argument for it? You may remember it involved long trips abroad. And it was cheaper.

We might conclude that it was OK for juveniles but not for adults. But the strand of reform, or curing the criminal, cannot stand alone. Society and justice demand that, unless they are proven sick, criminals must be treated as moral agents. There may be mitigating or compassionate circum-

stances in a particular case where the normative or just punishment becomes inhumane. But there must be a norm and it must normally be enforced. Getting the courts to agree on consistent sentences is a priority.

The exceptional proviso of mental illness is a whole can of worms. Many of us have met very inadequate people, the product of traumatic childhoods and dreadful circumstances, whose criminal behaviour does seem to be the product of their environment. It may even be a result of their genes if recent research is confirmed. A high percentage of prisoners is on the borderline of mental illness. But even if society still needs to be protected from them, it is inhumane to treat them as if they were all members of the Kray gang.

It is inhumane to tighten the screws (without judicial sanction) on the rights of prisoners to see their families in such a way that a girl is not allowed to see her baby.

There are many features of our public life which make those who live in Middle England uneasy and even ashamed. The absence of a publicly agreed penal policy is certainly one of them.

Hugh Dickinson is Dean of Salisbury

* FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

AMERICA

Outlook for rates leaves Dow lower

Wall Street

Speculation that interest rates would remain steady throughout November sent share prices lower, writes Lisa Branson in New York.

With most of the reporting season now over, traders turned attention back to monetary policy. Particularly important was a speech delivered late on Thursday by Alan Greenspan, chairman of the Federal Reserve, who said that the central bank must not be lulled into a sense that inflation was permanently under control.

That led to speculation that the Fed was not likely to cut interest rates at the November 15 meeting of its Open Market

Committee, sending bond prices sharply lower.

Weakness on the bond market combined to put an end to the rally which began late on Thursday.

At 1 pm the Nasdaq composite was 3.21 points lower at 1,043.76 and the Pacific stock exchange technology index was 0.7 per cent lower.

Several technology companies continued to be hurt by reporting only as expected earnings rather than presenting investors with stronger

than expected profits growth. Silicon Graphics, the US software company, slid 10 per cent or 3.3% at 33.24 after reporting on Thursday that net income was up 29 per cent in the first fiscal quarter. The company's

earnings of 33 cents a share were in line with estimates.

The Dow Jones Industrial Average was off 0.72 at 4,801.73. The more broadly traded Standard & Poor's 500 was off 1.52 at 599.13, while the American

Stock Exchange composite was 1.56 lower at 558.25. Volume on the NYSE was very heavy for the second consecutive session as traders unwound positions in connection

with the afternoon expiration of options and futures on share indices. By 1 pm 218m shares had changed hands.

Amgen, a US biotech company, slipped 9 per cent or 3.4% at 44.57 after a disappointing earnings report. Analysts at two leading houses, JP Morgan and Brown Brothers Harriman, lowered their ratings.

Canada

Toronto was weak in midday trade on continuing worries about the outcome of Quebec's

separatist referendum, and a falling bond market. The TSX-300 Composite index was down 27.58 by noon at 4,447.60 in volume of 34.2m shares.

The banking sector was weak. Bank of Montreal fell 0.4% to C\$29.94 and Toronto-Dominion Bank fell 0.4% to C\$29.34.

Some high technology issues were also marked down. Northern Telecom lost 0.1% to C\$44.44 and Leitch Technology, the electronics equipment maker, fell 0.1% to C\$39.74. The S&P 500 index was up 358 at 46,208.

Canada Resources had decided not to proceed any further with its takeover.

Latin America

Early trade saw MEXICO CITY firm in thin early trade on speculative buying ahead of third quarter earnings reports due next week. The IPC index was up 0.56 at 2,352.13 by midday. Volume was 9.3m shares.

Export companies were active on news that the preliminary September trade surplus was \$904m, a much larger figure than had been expected.

SAO PAULO was slightly firmer by midsession in a technical correction to recent falls. The Bovespa index was up 358 at 46,208.

Amsterdam hopes for a dose of excitement

Trading has been lacklustre, says Ronald van de Krol

Traders on the Amsterdam stock exchange may well have a collective sigh of relief on Monday. It is then that trading starts in shares allotted to investors who participated in the second tranche of Koninklijke PTT Nederland (KPN), the telecommunications and postal group.

They will be gratified, not because the government is more than F15bn (\$3bn) richer, but because the market can finally swing its attention back to other issues, possibly helping to bring some life back to what has been lacklustre trading on the bourse.

At best, however, the exchange can expect only a very modest increase in the months ahead, analysts forecast. Many resort to the word "sideways" to describe how they expect prices to develop

between now and the end of the year. That means that careful stock-picking is the best strategy for the rest of 1995.

For KPN, the end to the government's sale of its stake is unlikely to bring any immediate significant upturn in its share price.

The stock has underperformed the overall market by nearly 20 per cent since it became clear in March that the government was considering pulling the issue forward to the autumn, from a previously planned 1996 or 1997. Before March, the shares had achieved a 17 per cent outperformance since the first tranche of shares was floated at F148.75 in June 1994.

In recent weeks, the shares have stagnated closing yesterday at F155.00, and this is the yardstick which will be used by underwriters when they announce the final offer price on Sunday night or Monday morning.

With sentiment cooling towards European telecom stocks in general, the outlook for KPN shares is quite modest in the short term, unless foreign demand for the second tranche proves to be heavier than forecast.

The market as a whole is facing a similar period of unexciting growth. The consensus forecast for end-1995 puts the

AEX index at 460 points, barely higher than yesterday's 454.85 finish, a week's loss of 1.4 per cent.

One of the few factors which could inject an element of excitement, however, is the impending start of the third-quarter reporting season.

Among the first companies to issue results, on Thursday, will be Philips, the electronics group. Its shares soared well above F180.00 in July from F165.00 in late June, before settling back to close yesterday at F185.00.

Analysts expect a rise of some 30 per cent in the quarter, compared with the same

recommended lists are cyclical, since the peak of the business cycle is now thought to have passed for paper, chemical and other commodity producers.

The cyclical sector's prospects were not helped by Nedlloyd, the transport group. In early October, the company's warning of a substantial fall in its ordinary 1995 profits surprised the market.

The shares, which dropped 15 per cent to F146.00 on the day of the warning, before sinking to below F140.00 the next day, have now recovered some of those losses, closing yesterday at F142.10.

One exception in cyclical, according to Mr Frank Hoogen-dijk, an analyst at MeesFier-son, is KNP BT, the paper, packaging and distribution group.

Despite its involvement in the production of paper, now deemed beyond its peak, the company is also strong in the distribution of paper and graphic equipment, making it an attractive "late cyclical".

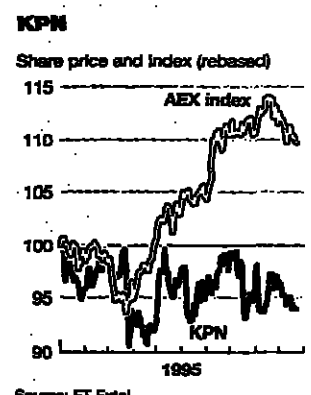
Mr Hoogen-dijk said his brokerage's recommendation was "to focus on the more defensive stocks and to search out growth shares in the more consumer-oriented sectors, with an eye to benefiting from a recovery in consumer spending in 1996". Besides individual

retail stocks, this also includes the big publishers such as Elsevier and VNU.

With the bourse now expected to show little more growth for the rest of 1995, attention has turned to next year. Kempen & Co is expecting earnings per share at Dutch companies to grow by 12.4 per cent in 1996.

At the same time, there should be a continuing underlying demand from domestic investors, while foreign investors are showing increasing signs of being attracted to the Dutch market because of the currency's strength.

"On a 12-month view, the index should be able to move in the direction of the 500-point level," says Mr van Everdingen.



Source: FT Data

EUROPE

Traders take cover in Italian political crisis

A rapidly deteriorating political situation left MILAN tumbling as Mr Silvio Berlusconi and the centre right party turned up the temperature, demanding a no-confidence vote. Mr Lamberto Dini's government was threatening strong opposition to the budget proposals.

The Comit index fell 17.35, or 3 per cent, to 570.57, down 5 per cent on the week, while the real-time Mibit index lost 224, or 2.4 per cent, to 9,077.

One Milan analyst said: "The political situation has deteriorated significantly as the day has progressed. The prospect of an early general election is looking much greater."

Another said: "The traders are sitting here with their helmets on." He added that an early general election, before agreement could be reached on the 1996 budget, made the outlook very uncertain. Speculation that the Bank of Italy might raise interest rates, to defend the lira, compounded the downward mood. "The picture is becoming very dark," he said.

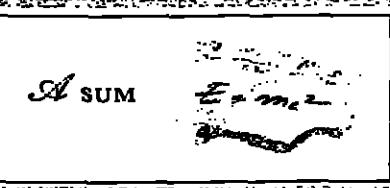
The telecommunications sector, formerly a favourite with foreign investors, was among the hardest hit. Telecom Italia fell 1.98 to L2,277. Stet was L155 lower at L4,380 and Tim lost L65 to L2,486.

FT-SE Actuaries Share Indices

Oct 20		THE EUROPEAN SERIES										
Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close				
FI-SE Eurotrack 100	1395.74	1394.57	1394.27	1394.93	1393.16	1388.03	1380.29	1380.43				
FI-SE Eurotrack 200	1517.87	1515.86	1514.84	1514.38	1513.05	1508.40	1502.01	1500.56				

INVESTMENT TRUSTS - Cont.

هكذا من الأصيل



FINANCIAL TIMES

Weekend October 21/October 22 1995

The MALT



FT writers report worldwide investment in new technology

Intel to spend \$3bn on expansion

Intel, the world's largest semiconductor maker, plans to spend more than \$3.1bn over the next two years to expand production in Ireland, Israel and Malaysia to keep pace with rising demand for components used in personal computers.

Its announcement yesterday followed a string of investment and co-operation moves this week by the world's leading semiconductor manufacturers.

Intel will spend about \$1.5bn to build a new microprocessor plant at the site of its plant in Leixlip, west of Dublin. The investment will create 1,200-1,500 jobs. Continued expansion of existing facilities will bring total new jobs to about 2,000. The new plant is scheduled to be completed in 1998 and will produce the latest Intel microprocessors, the "brain" chips of personal computers.

Ireland's development agency is understood to have agreed around £100m (\$160m) in grant support. Mr Richard Bruton, enterprise and employment minister, said this "was probably one of the best investments ever made on behalf of Irish taxpayers." Intel also announced plans for a \$1.6bn memory chip plant in

the Negev desert in southern Israel, in the country's largest single foreign investment. It will employ about 1,500 people when completed in 1998.

"Industry experts are predicting that personal computer sales will reach 100m units a year before the end of the decade. We are taking steps to assure that Intel will be able to meet the demand of the rapidly growing market," said Mr Craig Barrett,

Intel chief operating officer. "Industry experts are predicting that personal computer sales will reach 100m units a year before the end of the decade. We are taking steps to assure that Intel will be able to meet the demand of the rapidly growing market."

Craig Barrett, Intel chief operating officer

chief operating officer.

The international expansion follows a build-up of production capacity in the US, where the company recently opened a plant in New Mexico and is building plants in California, Arizona and Oregon. Under Israel's law for encouraging capital investment in developing areas, the Intel project will qualify for government grants worth \$60m, 38 per

cent of the total investment. This has sparked controversy in Israel's business community.

In Malaysia, Intel plans to spend about \$30m on a factory for personal computer circuit boards. It is scheduled for completion next year and will join Intel's existing Penang semiconductor assembly and test centre.

Intel is leading an unprecedented wave of expansion throughout the world semiconductor industry. With world sales

expected to grow by more than 30 per cent this year to about \$150bn, more than 30 plants are in various stages of planning or construction. International Business Machines and Motorola of the US, Siemens of Germany and Japan's Toshiba confirmed on Thursday they are discussing joint development of the next generation of advanced memory

chips, expected to start appearing in electronic devices early next century. Meanwhile Matsushita, Japan's largest consumer electronics maker, yesterday announced plans to build semiconductor manufacturing facilities in the US and Indonesia. The plants are part of a programme to double its production of semiconductor chips by the end of the decade to 700,000 (\$6bn).

Matsushita plans to build a semiconductor plant in Washington State designed to manufacture microcontrollers - used increasingly in a wide range of consumer electronics and multimedia applications - and memory chips. It is expected to start production in 1997, cost about \$60m and be the group's second semiconductor plant in the US. Matsushita also plans a semiconductor assembly plant in Indonesia next year, its third Asian assembly plant outside Japan.

Reporting by Louise Kehoe in San Francisco, Julian O'Connell in Jerusalem, Michiko Nakamoto in Tokyo and John Murray Brown in Dublin

Japan to scrap access accord, Page 3

US-UK air traffic talks suspended

British accused of moving too slowly to transatlantic 'open skies' target

By Nancy Dunne in Washington and Michael Skapinker in London

Talks between the US and UK to liberalise transatlantic air traffic were suspended yesterday with the US saying the British wanted to move too slowly towards the long-sought objective of "open skies".

US negotiators concluded that the talks were being conducted in an effort to protect British Airways from competition in lucrative markets. Uncertainty over a possible merger between US Air - which has a code-sharing arrangement with British Airways - and United or American played a role in jettisoning the

current round.

The UK had earlier offered the US increased access to London's Heathrow and Gatwick airports in an attempt to end the deadlock in aviation talks between the two countries.

In return, it was demanding more freedom for British airlines to bid for US government contracts. It was also asking for establishment of a bi-national body to solve pricing disputes. Negotiators had been meeting in Washington this week in an attempt to liberalise transatlantic air traffic. The countries reached a preliminary agreement in June, which allowed for a small increase in flights between

the US and Heathrow.

The US has, however, demanded greater access to Heathrow. Mr Federico Peña, US transportation secretary, came under fire from members of Congress for failing to win greater concessions in the June agreement. Talks over the summer failed to make further progress.

The UK this week said it would allow a US airline to begin making daily round trip flights to Heathrow. It would be up to the US department of transportation to decide which airline would run this service, which would last for two years. In 1997, a US carrier could begin another daily round trip service to Heathrow, which

would also last for two years.

The UK also offered US carriers the right to begin two new services into Gatwick. Although the offer falls short of the "open skies" arrangement that the US has sought, US carriers are said to be divided, with some urging their government to accept.

The talks were adjourned earlier this week for US negotiators to discuss the offer with officials they said were "higher than the Department of Transportation", an apparent reference to the White House.

The bi-national body being demanded by the UK would look at complaints of predatory pricing by airlines.

Berlusconi in move to topple Italian PM

Continued from Page 1

by the parties of the centre left. Its majority is most precarious in the 630-strong chamber of deputies where it has to rely in part on the votes of Reconstructed Communism, the hardline of the former Italian Communist Party, to survive. The latter has yet to

declare its position and much will depend upon the wording of the confidence motion. But at this stage the government is far from certain to survive.

Even if it survives, the crisis is likely to accelerate the prospect of general elections. Mr Dini had been hoping to stay in office at least until June, the end of the

six month Italian rotating presidency of the European Union.

But the centre-left parties backing him have been seriously embarrassed by Mr Mancuso's revelations on Thursday that the prime minister for several months endorsed attacks on the power of the anti-corruption magistrates.

Major nears Emu pledge

Continued from Page 1

contest, he resisted commitments further ahead saying Britain's opt-out would allow him to study the circumstances at the time.

Mr Major is said to have been emboldened in his position by a growing conviction that a single currency was unlikely in the next six years.

He is understood to have accepted that it would put further distance between the Tories and the opposition Labour party, allowing him to make it a central issue of the next election.

The timing of the announcement is delicate and Mr Major may delay confirmation until closer to the election to minimise any clash with the Tory left.

US and UK titanium producers in merger

Continued from Page 1

by the end of this year when the merger takes effect.

IMI is the junior partner in the merger. In exchange for transferring its operations to Timet, it will receive new shares that will give it 40 per cent of Timet's

equity. Tremont will have 45 per cent and Union Titanium, a Japanese consortium, the remaining 15 per cent.

But Tremont has an option to buy an additional 8 per cent of the enlarged Timet from IMI over the next three years, and has management control

over the combined operations. Tremont is known in the industry as an aggressive manager of its assets.

However, IMI said that there were no immediate implications for its titanium operations in Birmingham from the ending of management control.

THE LEX COLUMN

Operatic society

The Italian stock market has been an accurate barometer of the health of the government this year, so it is hardly surprising that it plummeted yesterday. The fate of prime minister Mr Lamberto Dini's technocratic administration is in the balance. If Mr Silvio Berlusconi, the former prime minister, fulfils his threat to secure a vote of confidence, snap elections will be called. And Mr Berlusconi has every interest in accelerating the election process, given an impending court hearing on corruption at his Fininvest business empire.

The latest political crisis is ill-timed. The 1996 budget is due to go to parliament within the next few weeks. If Mr Dini's government falls, the budget will be caught up in an election campaign. And even if he survives the immediate crisis, his administration looks to be on the way out, after being thoroughly undermined by outgoing justice minister Mr Filippo Mancuso. Mr Berlusconi and his allies have already vowed to block the budget. Such fiscal uncertainty bodes ill for financial markets.

This leaves the Italian privatisation programme looking somewhat exposed. The treasury is due to launch a \$10bn share offer for Eni next month, one of the largest privatisations ever, but this would almost certainly be shelved if the government falls. And if Mr Dini struggles on, the background for wooing international investors will still remain unfavourable. Either way, the subsequent offerings for Stet and Enel, look set to be put back on ice.

European motors

The glitz of this week's London Motor Show cannot disguise the fact that Europe's carmakers are having a poor year. Earlier expectations of a 5 per cent increase in annual sales have been undermined by flagging consumer confidence, rising interest rates in continental Europe and the suspension of special tax incentives in France and Spain. The latest forecasts suggest little, if any, growth over 1994's 12m units.

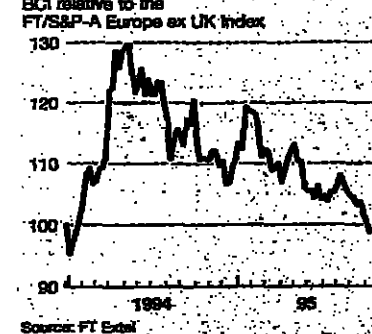
This is particularly galling for manufacturers since 1995 is their peak year for new launches. From the Mercedes E Class to the Fiat Bravo, a quarter of Europe's models by volume are being replaced this year. Given the soggy background, they have cannibalised sales rather than added growth.

Meanwhile, competition is getting

FT-SE Eurotrack 200:
1500.6 (-16.1)

Italy

BSA relative to the
FTSE-100 as UK index



Source: FT Intel

hurt the large chemist chains, as well as small operators.

The impetus for change comes not from consumers but from the increasingly powerful supermarket chains as they battle for market share in new product areas. So far, Boots, the largest chemist chain, has proved resilient, helped by the strength of its own-brand products. But the latest threat is likely to cast a shadow over the group's share price. Boots will have difficulty increasing market share sufficiently to compensate for a price war because its market share is already very large. There is also little prospect that a price war will induce consumers to rush out and buy more aspirin. Boots will be hoping that price competition is confined to vitamins and the like, where discounting could conceivably boost consumption.

Private finance

British ministers will doubtless be pleased that Hermes, the pension fund, is sponsoring a £100m venture to invest in privately-financed infrastructure projects. The government's initiative needed a vote of confidence; it will only succeed if investors believe there is money to be made from it. Thanks to Eurotunnel, they are well aware of the opportunities for losing money on these schemes.

The potential upside, though, is real. Unlike Eurotunnel, most of the new projects in the pipeline will ultimately be paid for from future government subsidies. Investors' very nervousness means the government will have to offer them generous deals, protected from political whim, if it wants to see action. For investors wanting access to these opportunities while spreading their risk, the new fund is an attractive model. Given the number of opportunities likely to be on offer, it should be able to pick projects where risks are likely to be best controlled - for instance where the construction contractors have put in enough equity to have an incentive to control costs.

For taxpayers, even if the price is high, better-managed projects can be good news. The real danger for them lies in the illusion that private finance can pay for tax cuts. Using private finance to build a hospital or a prison does not mean taxpayers no longer pay; they pay in future rather than upfront. The result is to shift government borrowing off balance sheet. The markets would be right to conclude that it is, in effect, borrowing all the same.

UK retailing

Retail price fixing appears to be nearing the end of its shelf life. Having helped break the net book agreement, Asda is now challenging price maintenance in the over-the-counter drugs market by cutting prices of vitamins and minerals. Still, yesterday's announcement of an Office of Fair Trading investigation does not mean that abolition is a foregone conclusion. The issue is sensitive, since a price war could force small pharmacists out of business. But the anti-abolitionist notion that bargain prices would encourage consumers to take medicine unnecessarily appears rather spurious. A likely compromise solution, abolishing controls on unlicensed products such as healthfoods while maintaining prices of non-prescription medicines supervised by pharmacists, could still



Global banking made in Germany.

The world is shrinking. Whereas your scope is growing. Theoretically. And practically?

Whenever you wish to make more than just a small move, include the WestLB in your plans. We appreciate global thinking and, as one of Europe's leading banks, we have both the experience and the potential to achieve even exceptional goals - with you. Established as a German wholesale bank, we

offer you all services from one source, made to measure, reliable and, if you like, worldwide. After all, what could be closer to your wishes than a bank with a perspective as broad as your own? Are you looking for a partner near you? Simply call our automatic fax service in Germany on (+49) 211 9 44 53 70 to request a list of our worldwide network straight away.

WestLB

Europe today

High pressure will build towards the continent, promoting sunny periods in the Benelux and Germany. It will remain cool with afternoon temperatures around 12°C. Cloud will linger over parts of the UK and patchy rain is possible in the far west of the continent. Western France will be cloudy with drizzle. Further east, skies will clear and sun will prevail. Southern Spain will have plenty of sun with afternoon temperatures above 20°C. More sun is expected in Italy, the former Yugoslavia, Greece and southern Turkey. An old front will cause cloud and isolated showers in Rumania and the Ukraine. Poland will have sunny periods with showers.

Five-day forecast

High pressure will build over western Europe, drawing warmer and drier air towards the Benelux and northern France. Sunny periods will occur during next week and afternoon temperatures will rise slightly. Central Europe will have plenty of sun as the circulation around an area of high pressure draws cool air into eastern and south-eastern Europe. Temperatures in these regions will fall further.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES

Location	Temperature	Location	Temperature	Location	Temperature
Abu Dhabi	30	Beijing	12	Cardiff	10
Accra	31	Belfast	10	Chicago	10
Algiers	23	Berlin	10	Cologne	10
Amsterdam	23	Birmingham	10	Dallas	10
Athens	23	Bombay	32	Detroit	10
Atlanta	14	Buenos Aires	11	Doha	10
B. Aires	14	Budapest	10	Dubai	10
Bham	12	Chengdu	10	Dublin	10
Bangkok	22	Cairo	20	Dubrovnik	10
Barcelona	22	Cape Town	20	Edinburgh	10

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Location	Temperature	Location	Temperature	Location	Temperature
Frankfurt	10	Madrid	10	Rangoon	34
Geneva	10	Moscow	10	Reykjavik	5
Gatwick	10	Nassau	10	Rome	22
Glasgow	10	New York	10	S. Francisco	22
Hamburg	10	Osaka	10	Seoul	22
Helsinki	10	Paris	10	Singapore	32
Hong Kong	10	Peking	10	Sydney	17
Honolulu	10	Prague	10	Taipei	22
Istanbul	10	Stockholm	10	Tokyo	21
Jakarta	10	Taipei	10	Toronto	15
Jersey	10	Tel Aviv	10	Vancouver	12
Karachi	10	Wellington	10	Warsaw	13
Kuwait	10	Winnipeg	10	Washington	16
La Paz	10	Xinjiang	10	Zurich	11
Las Palmas	10	Yokohama	10		
Lima	10				
Lisbon	10				
London	10				
Luxembourg	10				
Lyon	10				
Madras	10				

Frankfurt. Your hub to the heart of Europe.

Lufthansa

Professionalism on a global scale.

TRAFALGAR HOUSE CONSTRUCTION

0181 689 2266

FINANCIAL TIMES COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1995

Monday October 23 1995

brother

PRINTERS
FAX MACHINES

MARKETS THIS WEEK



PETER MARTIN:
GLOBAL INVESTOR
Betting on the French stock market is, in part, betting against the collective determination of the French elite. Perhaps that explains why, on most measures, French equities look such a bargain. Yet there is little in the way of buying enthusiasm. Page 24



ROBERT CHOTE:
ECONOMICS NOTEBOOK
A country's material living standards are usually measured by its real gross domestic product (GDP). But this was not originally intended as a measure of economic well-being. Alternative indices have been produced but the numbers that emerge are almost meaningless. Page 24

BONDS:
Until the French franc stabilises and greater clarity emerges about the government's plans to reduce its budget deficit, dealers expect French government bonds to remain volatile. Page 26

EQUITIES:
International investors have been scanning the horizon for large Italian privatisations for so long, they could be forgiven for dismissing the fast-approaching flotation of Eni, the energy and chemicals conglomerate, as a mirage. Page 27

EMERGING MARKETS:
Jordan is establishing itself as one of the more promising emerging markets in the Middle East following a conference in Amman of Pensions 2000, which represents 57 US pension funds with \$500bn under management. Page 25

CURRENCIES:
According to the script, currency markets will take their lead this week from growth and inflation figures to be released in the US, UK and Germany. But political developments in Europe are likely to have an even greater influence. Page 25

COMMODITIES:
This week is the 10th anniversary of the collapse of the London Metal Exchange's tin market, when LME members collectively lost £600m (\$930m), and the exchange was being written off. Today it is stronger than ever. Page 24

INTERNATIONAL COMPANIES:
Deutsche Morgan Grenfell, the German merchant bank, has approached international investors with a proposal to sell \$50m of proxy shares in Gazprom, the Russian group that controls one-third of the world's known gas reserves. Page 23

UK COMPANIES:
Hanson, the Anglo-American group which recently paid £2.5bn (\$3.9bn) to take over Eastern, the UK electricity group, is seeking to raise £1.5bn in the international syndicated loans market. Page 22

STATISTICS

Base lending rates	29	London recent issues	29
Company meetings	12	London share service	32-33
Dividend payments	12	Managed fund service	30-31
FTSE-100 World Index	24	Money markets	29
FT Guide to currencies	25	New int bond issues	26
Foreign exchanges	29	New York shares	34-35
		World stock mkt indices	28

US investor revives Czech stocks

By Anthony Robinson in London

Mr Michael Dingman, who made a personal fortune building industrial conglomerates in the US, has invested \$140m in selected Czech stocks to launch a new private investment fund.

Its aim is to make money by helping to raise the efficiency and profitability of newly privatised companies in the former communist world.

The initial purchase of "significant" stakes in seven Czech quoted companies is expected to galvanise the illiquid and stagnant Czech stock market and give fresh impetus to the industrial restructuring of newly privatised companies in other former communist states.

Mr Dingman, the 63-year-old Bahamas-

based chairman of Fisher Scientific International and a director of Ford Motor, said the new firm, Stratton Investments, would acquire stakes in recently privatised companies and work with incumbent management to improve corporate performance through "hands-on" financial and industrial expertise. The company was already looking at other investment opportunities in Russia and other former Soviet states.

The new company will be headed by Mr Daniel Arbes, the Prague-based former head of the privatisation group of White & Case, the international law firm. Mr Arbes advised the Czech government on several privatisation transactions, including the sale of Skoda to Volkswagen and the recent partial privatisation and restructuring of the Czech oil refining

industry. He has also advised the Russian, Kazakh and Vietnamese governments.

The shares were bought from Harvard Funds, the pioneer Czech investment fund created and run by Mr Victor Kozeny, founder of the Czech investment fund industry.

Five years ago Mr Kozeny, who persuaded Mr Dingman to launch his new venture in the Czech Republic, filled a gap in the then Czechoslovak government's first mass privatisation programme by setting up the first Czech investment fund. Now, by selling blocks of shares to a hands-on foreign investor he has helped move the Czech privatisation process closer to what Mr Vaclav Klaus, the prime minister, calls "stage three" of privatisation.

The first two stages involved mass privatisation through the issue of vouchers and the transfer of ownership in over 1,800 state companies to more than 7m Czech privatisation coupon holders.

Given the shortage of domestic capital and the inexperience of most domestic fund managers, the government assumed that foreign investors would be needed to set off the "third wave". This requires owners capable of injecting investment capital and know-how to restructure and modernise former state-owned enterprises. Stratton, by buying packets of shares from Harvard Fund and working with it to create controlling stakes in the as yet unnamed companies, has now emerged as the external force likely to set the "third wave" in motion.

Alice Rawsthorn reports on Investcorp, the company behind names such as Gucci and Saks

Seeking value for money in luxury shops

Gucci has rarely been out of the papers this autumn following the announcement of its forthcoming flotation and rave reviews for its latest fashion collection: but Investcorp, its owner, has stayed behind the scenes.

Investcorp first invested in Gucci in 1987 and has played a pivotal part in its transformation into one of the hottest fashion names of the 1990s. Gucci, which announces its share price in New York and Amsterdam today, is the third share issue staged by Investcorp this year and the latest of its high profile deals, including the acquisition and flotation of Tiffany, the New York jeweller, and the \$1.6bn takeover of Saks Fifth Avenue, the US

stores chain. Despite the publicity generated by these deals, little is known of Investcorp. That situation seems set to change as the company prepares for further acquisitions and disposals, including Saks.

Investcorp was founded in 1982 by Mr Nemir Kirdar, who fled to the US from his native Iraq in 1969 and became vice-president of Chase Manhattan and the head of its activities in the Gulf. Mr Kirdar said in an interview that he conceived Investcorp as "a bridge" between the Gulf, where oil wealth had created surplus funds, and the US, where the recession had left a number of companies in need of new capital.

Investcorp identifies corporate investment opportunities for Gulf investors in medium-term recovery stocks in the US or Europe, typically in well-established brand names. It then works with management to improve the company's performance until it is ready for sale or flotation, ideally within five years. Its clients lock up their investment until the company is ready thereby giving it time to convalesce.

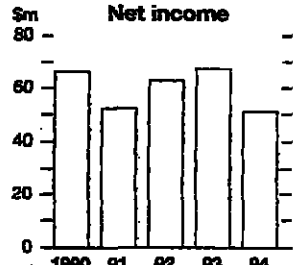
Investcorp is something of an oddity in banking circles. It is quoted in Bahrain, where all its shares are traded except for the 37.5 per cent owned by management. But it is, as one Middle Eastern financier said, "by far the most westernised" of Gulf-based companies.

When Investcorp buys a business, it pays partly cash and partly debt from western banks. Its Bahrain office then syndicates the equity among Gulf investors generally keeping up to 10 per cent. Some investments have gone smoothly, such as Tiffany, which Investcorp bought for \$135m in 1984 from Avon, the US cosmetics company. Tiffany went public in 1987 and Investcorp has since divested, giving its clients an annual rate of return of 174 per cent.

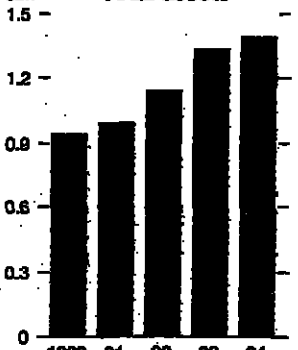
Other transactions have been rockier. Investcorp has bought 39 companies and sold 23 since 1982, helping it to generate more than \$550m from the two \$50m tranches of capital its investors raised in 1983 and 1986. However, it closed its five-year-old trading operation last year after it lost \$8m and some corporate investments have proved problematic.

What's in the bag

Investcorp



Total assets



Source: Company reports

Investments

	1994
Saks Fifth Avenue: US specialty fashion retailer with 70 stores nationwide	\$80.73m
Carnegie: specialty retailer of recorded music with approximately 400 stores in the US	\$71.61m
Gucci: Italian manufacturer of luxury leather goods, apparel and accessories	\$58.91m
Burnham Service Corp: distribution and transportation service company	\$39.95m
Mondt: German-based fashion group	\$14.03m
Société Nouvelle Chaumet: manufacturer and retailer of exclusive jewelry, timepieces and other luxury goods	\$13.36m

Nemir Kirdar, president and chief executive officer



The New York Department Stores chain in Puerto Rico fared so badly that Investcorp abandoned hope of recovery and returned the original investment to its clients. Other difficulties have simply taken time to resolve, notably Gucci which Mr Kirdar described as "a nightmare" in its early days.

Investcorp initially bought the 50 per cent of Gucci owned by the squabbling cousins of Mr Maurizio Gucci, who owned the rest. Mr Gucci had ambitious plans to rationalise the business and reposition Gucci as a modern luxury brand. He had a flair for strategy, but soon clashed with Investcorp over costs. Investcorp bought out Mr Gucci, changed the senior management and brought in

Bain, the management consultancy.

Gucci has since returned to the black with net profits of \$34.8m on sales of \$206m in the first half of 1995. Demand for its shares is so high that Investcorp last week said it was raising the proportion of equity on sale from 30 per cent to up to 49 per cent.

Investcorp is now looking for new investments to replace Gucci. But Mr Kirdar hopes to improve the quality, rather than the quantity of its investments. He believes Investcorp's resources are fully utilised in monitoring its 15 existing corporate investments and is reluctant to increase the 200-strong staff for fear of jeopardising its cost-conscious management style.

Investcorp's chief challenge is the eventual sale of Saks Fifth Avenue. The \$1.6bn acquisition is not only Investcorp's largest transaction to date, but Saks has a high profile as one of the most prominent US retailers. Unfortunately for Investcorp, the acquisition preceded two tough years for US retailing and Saks fell behind target. Investcorp staged a \$300m capital increase for the company in 1992 thereby enabling it to renovate existing stores and open new ones.

Mr Kirdar says Saks has come back on track. It still has some way to go before it can be floated or sold, but he hopes it will ready in a year or two. Investcorp will then be under the spotlight once again.

AMD in deal to close gap on Intel

By Louise Kehoe in San Francisco

Advanced Micro Devices, the fourth largest US chipmaker, is to acquire NexGen, a small microprocessor developer, in a stock deal valued at about \$860m. The deal is expected to allow AMD to close the technical gap between itself and Intel, the world market leader.

NexGen recently announced that it was close to completing development of a chip to compete with Intel's Pentium Pro, a microprocessor that Intel plans to launch next month. The company has no manufacturing facilities and its chips have been produced under contract by International Business Machines.

The agreed price represents a small discount on NexGen's Friday closing price of \$21¼, before the deal was announced.

The deal already has the backing of NexGen's largest shareholders including ASCII, the Japanese publishing group, Compaq Computer, the leading personal computer manufacturer, and Olivetti, the Italian computer group. AMD expects to complete the transaction by the first quarter of 1996.

Through the acquisition, AMD aims to narrow Intel's widening microprocessor technology lead. While AMD is offering fourth-generation 486 microprocessors, Intel's fifth generation Pentium chips are the standard "brains" of PCs. Computers based on the new Pentium Pro are expected early next year.

AMD, still struggling to launch its own version of the Pentium, has seen profits from its microprocessors decline sharply. Earlier this month the company reported a 33 per cent drop in net earnings for its third quarter. The NexGen acquisition could enable AMD to compete swiftly with Intel's Pentium Pro. A "top priority" will be to begin production of NexGen's new chip, said Mr W.J. Sanders, AMD chairman and chief executive.

"The union of NexGen with AMD catapults us into contention for leadership in the market for fifth, sixth and future generations of Microsoft Windows-compatible microprocessors."

Intel has an estimated 80 per cent share of the microprocessor market and is on track to achieve revenues of \$16bn this year, making it the world's largest chipmaker.

This week: Company news

JAPANESE ELECTRONICS Strong demand despite sluggish home economy

Several leading Japanese electronics companies will report their first-half results this week which should reflect firm performance amid a generally sluggish domestic economic environment.

On Tuesday, Matsushita, the consumer electronics group, will announce its results for the six months to the end of September. The period saw strong demand for products ranging from cellular phones to air conditioners and semiconductors, which is expected to have made a large contribution to Matsushita's results.

The company is a leading maker of cellular phones as well as air conditioners, which sold strongly during an exceptionally hot summer.

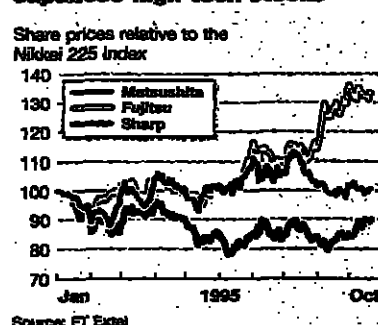
Fujitsu, the high technology group, will report its first-half results on Wednesday. These are expected to confirm the growing popularity of personal computers in Japan and the continuing strength of worldwide demand for semiconductors.

In the PC market, the company is believed to have increased its share of the Japanese market significantly through an aggressive marketing campaign which includes bold price cuts. Strong demand for semiconductors has led Fujitsu to adopt a more active investment programme in that sector.

When Sharp, the Osaka-based electronics maker, reports its first-half results on Thursday, they are likely to reflect firm demand for its components, consumer products which use liquid crystal displays and cellular and PHS handsets.

Liquid crystal displays have come into wide use in video cameras and notebook computers and while competition has intensified, Sharp is still the leader with about 40 per cent of the market.

Japanese high-tech stocks



Source: FT Data

OTHER COMPANIES

Commerzbank to lead German bank results

Commerzbank kicks off the nine-month reporting season of the big German banks on Thursday in a year when earnings in the sector have been patchy and the banking environment has become more competitive. The bank, which will raise about DM1bn (\$698m) through a share sale next month, reported a doubling of operating profits to nearly DM900m at the six-month stage, outpacing its rivals.

Japanese brokers: Figures today are expected to highlight the differences between the "Big Four" brokers - Nomura, Daiwa, Nikko and Yamaichi - and smaller houses. The Big Four expect improved recurring profits while Nikko and Daiwa last month announced that they would return to the black after reporting losses for the previous year. Second and third-tier brokers expect weak earnings figures because of their reliance on brokerage commissions from retail investors, who have yet to return to the market.

Oil majors: The seasonal dip in the oil majors' third quarter earnings data, which start to flow today with figures from Mobil, Arco and others, is expected to show annualised growth still well ahead of 1994, and some cause for concern in commodity chemicals prices. Profits are expected to be around 15 per cent lower than in the second quarter, mainly because of the

August "hole" in European sales when much of industry closes for the holiday season.

Deimler-Benz Aerospace: The aviation division of Germany's biggest company which groups together 80 per cent of the country's aerospace industry will today announce details of a long-awaited restructuring, designed to combat problems created by the falling dollar and a stagnant market for regional jets.

SKF: The Swedish group, which is the world's leading manufacturer of rolling bearings, is expected to report profits of about SKr2.7bn (\$326m) when it reports its nine-month figures on Wednesday. The result will more than double last year's SKr1.14bn, reflecting stronger demand, cost cuts and increased market share.

UAL: United Airlines' parent is expected to post earnings per share down from \$10.05 to \$8.92 tomorrow. Consensus forecasts have risen 8 per cent during the past month after the airline said it would beat Wall Street estimates.

Delta reports first-quarter results on Thursday and is expected to post earnings per share up from 95 cents to \$2.64. AFX News, New York.

Adidas: The German sports shoe and clothing company will give details of its planned flotation - expected to raise about DM1.5bn (\$1bn) - on Thursday. The issue will take place in November, with half the company's shares being sold to the public.

Companies in this issue

AIG	4	GT Chile Growth	22	Nippon Credit Bank	23
AMD	21	Gazprom	23	Nordfinanz Bk Zurich	23
Alitalia	2	Gucci	21	Softbank	23
Bridas	6	Hanson	22	Stratton Investments	21
Bristol & West BS	22	Hokkaido Takushoku B	21	Tokyo Marine	4
Brown & Root	3	Investcorp	21	Tom Cobligh	22
Ceska Banka	23	KPN	23	USP	23
Chubb	4	Merita Bank	23	Unocal	5
Chuo Trust & Banking	23	Murray Income	22	YJ Lovell	22
Delta Oil	5	NexGen	21	Ziff-Davis Publishing	23

"I've had to fly, sit in taxis, attend meetings and live on snacks for 24 hours straight. Now what?"



Now, you decompress at a Four Seasons Hotel, where the demands of business feel less demanding. A quit pressed in an hour? A plane ticket in minutes? A presentation with computer graphics? We're at your service 24 hours a day. Our menus offer selections from low-fat linguine with tomato and basil, to rack of lamb, to homemade chicken soup. And our health clubs and pools are equally irresistible after endless hours of travel. For in this value-conscious era, the demands of business demand nothing less.

FOUR SEASONS HOTELS

Four Seasons - Regard. Defining the art of service at 40 hotels in 19 countries.

COMPANIES AND FINANCE

Loan to refinance comes at a difficult time in the syndicated market

Hanson seeks to raise £1.5bn

By Antonia Sharpe

Hanson, the Anglo-American conglomerate which recently paid £2.5bn to take over Eastern, the electricity group, is seeking to raise £1.5bn in the international syndicated loans market.

Chemical Bank and NatWest Markets, the investment banking arm of National Westminster Bank, have been appointed to arrange the five-year revolving credit facility which is likely to be one of the largest corporate loans this year.

Hanson's loan, which will refinance existing borrowings and is also for general corporate purposes, has emerged

during a delicate time for the market.

On the one hand, banks are showing resistance to a further fall in borrowing margins and on the other, lending by Japanese banks, the largest single group operating in the market with a share of about 15 per cent, is being hampered by a steep rise in their funding costs.

The interest rate on a syndicated loan is calculated as a margin over the London interbank offered rate (Libor), the rate at which banks lend to each other.

Fierce competition among banks has caused margins to halve over the past two years and these are now at levels last

seen in the mid-1980s.

Over the past few months, banks have become increasingly reluctant to participate in aggressively priced deals and have only done so in order to preserve their relationship with the borrowers.

However, some leading banks declined to participate in a recent £700m facility for BTR, the UK industrial group, which secured a margin over Libor of just 1 1/4 basis points (a basis point is one hundredth of a percentage point).

Although BTR's loan was completed successfully, the absence of some of the bigger banks could be seen as a warning to other borrowers that they risked alienating their

bankers if they pushed for finer terms.

The pricing on Hanson's loan is believed to be 1 1/2 basis points over Libor, plus a commitment fee of 6 basis points on the undrawn element of the facility. Although the loan is double the size of BTR's, the extra basis point should comfort bankers who had feared Hanson would seek to improve on BTR.

Hanson's strong banking relationships should ensure that the facility is well supported by the market. A group of co-arrangers is expected to be announced early this week, after which the loan will be launched into general syndication.

Pub chain aims for £18m via placing

By David Blackwell

Tom Cobleigh, the independent pub chain that is coming to market, will launch its pathfinder prospectus along with the interim results tomorrow.

The chain, which will be aiming for a market valuation of about £50m, intends to raise £18m through a placing. The money will be used to cut debt, reducing gearing from more than 100 per cent to 15 per cent, and increase the scope for expansion.

On flotation the group will have 46 managed houses, which will account for 90 per cent of sales. The pubs, along with a tenanted estate of 34, are mainly in the east Midlands, Yorkshire and Humberside.

The group was founded by Mr Derek Mapp, now managing director, with a single pub in 1992. Mr Mapp, who was once a pub tenant as retail director at Mansfield Brewery.

Mr Mapp and the management own 25 per cent of the shares, with the rest in the hands of European Acquisition Capital, a small venture capital fund. Neither party is planning to sell any shares; EAC is expected to have about 45 per cent and the management about 10 per cent after the float.

The rapid expansion of the group, which relies for only 30 per cent of its profits from the discount on wholesale beer prices, is based on retail trading. "We have a clear focus on very traditional pubs where food is important," said Mr Mapp, who believes his natural competitors are the supermarkets rather than other pubs.

"There are a growing number of people who want the luxury of a meal out, with no washing up, but they are still looking for value for money."

He also believes that the retail market is ripe for expansion. In the first 18 months the group built two pubs on greenfield sites, and it is planning another eight next year.

Sponsor to the flotation is Samuel Montagu, with Hoare Govett as stockbroker.

Bermuda showdown in £350m Chile contest

Richard Lapper reports on the closing stages of the fight for control of the £350m GT Chile fund

The battle for control of the £350m GT Chile Growth Fund comes to a head this afternoon when two extraordinary general meetings of shareholders take place in Bermuda. But after the heat which has been generated by the fierce arguments of the last two months, the denouement in an office at the Bank of Bermuda's headquarters in Hamilton is likely to be a low-key - albeit tense - affair.

With most shareholders casting proxy votes, it seems likely that the only attendees will be members of the GT board and representatives of Regent Kingpin, the investment management group which has been seeking to take over the annual contract - worth some \$8m a year - to manage the fund.

On the surface, the GT Chile Growth Fund seems an unlikely target for shareholder action. Since its formation in 1989, the offshore fund has earned handsome returns for its investors, many of which are UK investment institutions.

A £1 stake invested in 1989 would now be worth more than £5, assuming all dividends were reinvested - an enviable 40 per cent compound annualised return.

But dissidents led by Regent

Kingpin, which is majority-owned by Hong Kong-based Regent Pacific, argue that other Chilean funds have achieved better performance.

In addition, they are critical that the fund's shares trade at a discount to the value of the underlying Chilean shares which it owns. The discount, which has been as high as 35 per cent in the last year, makes it difficult for shareholders who want to sell to obtain the full value of their investments.

Regent says the matter can be addressed relatively simply: it is proposing that all shareholders be allowed immediately to exchange all their shares for cash at formula asset value (net asset value less withholding tax and expenses).

The GT board, however, argues that this would be illegal under Chilean law. With the help of Barings, its investment bank adviser, it has proposed a complex scheme which would allow shareholders the right to surrender immediately up to a third of their shares in exchange for cash at formula asset value.

This would be achieved through an innovative piece of financial engineering called a

rights entitlement offer, with the rights to surrender shares at FAV trading for a limited period on the London market.

Subsequently, the board is promising to restructure the fund in order to make it easier for shareholders to move in and out of the fund.

The arguments have become increasingly fraught, since Regent announced its proposals on September 26, with GT even complaining to Invo, the UK investment management regulator, about Regent's claims regarding the legality of its own scheme under Chilean law.

The outcome - to be decided by a simple majority vote at both meetings - is finely poised. Regent says that it is confident of winning more than 30 per cent of shareholders' votes. But the board, too, has been campaigning hard.

Irrespective of the result, shareholders seem to have benefited from the battle. Mr John Szymanski, investment trust analyst at SBC Warburg, notes that over the last few months the price of the fund has risen and the discount to NAV has narrowed.

Although it has since widened to 15 per cent following a dip in the Chilean market, last month the discount narrowed to 13 per cent.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Inx (US/Hatfield Nymed (Norway))	Nyx Nymed (US/Norway)	Pharmaceuticals	\$2.1bn	Merger continues global consolidation
Statoll (Norway)	Aran Energy (Ireland)	Oil	£203m	Agreed bid trumps Arco
National Westminster Bank (UK)	Glascher & Co (US)	Banking	\$85.4m	Trend-setting boutique buy?
Siemens (Germany)	Unit of Mercury Communications (UK)	Telecoms equipment	\$90m	Total cost of 75% stake
Daewoo (S Korea)	Steyr-Daimler-Puch (Austria)	Engineering	\$53m	Continues Europe build-up
CRH (Ireland)	Cementownia Oszow (Poland)	Cement	£38.5m	Stake via local holding
Rentokil (UK)	GMIC (Belgium)	Security services	£19.7m	Mayne Nickless disposal
National Westminster Bank (UK)	Capital Privé (France)	Financial	n/a	Buying out JV partner
SSA (US/Softwright)	Merger	Computer services	n/a	MBO exit by merger
Seamco Securities (Thailand)	Marlin Partners (UK)	Broking	n/a	Cash + paper deal

NEWS IN BRIEF

JONES & SHIPMAN has bought Goodwin Electronic Measuring Systems, a Cheshire-based motion control manufacturer which is one of its main suppliers, for £595,000.

PLYSU, the plastic container manufacturer, is buying AMK Plastics, a maker of bottles for the toiletries, healthcare and automotive markets. AMK, based near Cardiff, has turnover of £7.5m.

PMI DATA, a subsidiary of Photo-Me International, has paid £3,003 for Macrodata, a Los Angeles-based card company that employs two.

RMC GROUP rights issue has received acceptances in respect of 46.98m new ordinary shares (94.9 per cent).

TODAY & CARLISLE is to sell its surplus industrial property comprising Unit 6, Beeston Road, Leeds for £1.73m cash.

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact

Lesley Sumner +44 0171 873 3308 or fax 0171 873 3064



Trust admits 'oversight' on director's connections

By William Lewis

Murray Income Trust, managed by Murray Johnstone, is today set to apologise to shareholders for failing to disclose important details about one of its directors.

Shareholders attending Murray Income Trust's annual meeting will be told that Sir Raymond Johnstone, a director, is also chairman of Lomond Underwriting, a holding company for five corporate members of the Lloyd's insurance market.

Murray Income holds an investment valued at more than £7m in Lomond Underwriting - its second largest unlisted investment representing 2.4 per cent of its fund.

Lomond's latest report and accounts state that Sir Raymond is an underwriting member of Lloyd's and participates on some of the syndicates in which Lomond is involved.

Murray Income said on Friday that it had made an "oversight" in failing to disclose Sir Raymond's connection with Lomond. It said Sir Raymond's directorship was disclosed in the annual report of Murray

Ventures where Sir Raymond is also a director. Murray Ventures, managed by Murray Johnstone, is also a shareholder in Lomond.

"No rule has been broken, but it is quite clear it is an oversight," the trust said. Murray Income also stresses that in comparison with other trusts it "provides substantial amounts of information".

Its annual report gives the names of six other companies of which Sir Raymond is a director.

Sir Raymond said: "It is not unusual for me to be in the same syndicate as another member of Lloyd's."

However, Pirc, the corporate governance consultancy, has expressed concern about the omission. "Our shareholder guidelines consider investment relationships of this kind affect directors' independence," Pirc said.

The consultancy has also highlighted Sir Raymond's long connection with Murray Johnstone, manager of Murray Income. Sir Raymond joined Murray Income as a director in 1989, the same year he retired from the post of managing

director.

Pirc says: "We do not regard Sir Raymond as independent for the purposes of compliance with the Cadbury Code."

Murray Income is chaired by Lord Younger of Prestwick, a former defence secretary and current chairman of the Royal Bank of Scotland. At its annual meeting, being held in Glasgow, shareholders are also expected to elect Sir David Trippier, former minister for small business, on to the board.

Murray Income's memorandum of association empowers the board to donate funds "for any purpose which may seem likely to further the objects of the company or the interests of its members". Last year it gave £5,000 to the Conservative party.

It reported a total return on net assets of 13.4 per cent for the year to June 30, representing a modest underperformance of the benchmark FTSE-A All-Share Index, which rose 14.8 per cent during the same period.

Net asset value improved 8.4 per cent, from 314.4p to 344p per share.

B&W drive focuses on core

By Alison Smith

Bristol & West, the UK's ninth largest building society, today launches a television advertising campaign intended to drive home the message that, unlike some other financial institutions, it is focusing on its core business.

Mr John Burke, B&W chief executive, said the move to strip out non-core activities - such as unsecured loans and health insurance - was in contrast to many other financial organisations.

The picture of B&W as an organisation focusing solely on mortgages, savings and investments also contrasts somewhat with its current range of activities.

It still owns Hamptons, an estate agency with about 50 branches, and it still offers a current account with a cheque book and access to cash machines.

B&W said that both those aspects of its business were under review. Even so, it is currently more diversified than some other building societies, such as Yorkshire, which are seeking to differentiate themselves by focusing on a narrower spread of business.

B&W is likely to decide what to do about its cheque book account early next year, and is at present considering offers for Hamptons branches, although it is not committed to selling.

But the news last week that Cornerstone, the independent estate agency chain, had put 70 of its branches into receivership may now make it harder to dispose of Hamptons.

The initial television advertising will last about five weeks and the whole campaign is expected to run for three years with a budget of £8m.

This notice is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any securities in Durban Roodepoort Deep, Limited ("Durban Deep"). Application has been made to the London Stock Exchange for the linked units (each linked unit comprising one convertible fixed rate (8%) preferred ordinary share ("preferred ordinary share") and one option to subscribe for one ordinary share ("option") in Durban Deep to be admitted to the Official List. Conditional dealings in the linked units, all paid, in Durban Deep are expected to commence in London at 8.30 am today, 23 October 1995. Dealings will be for normal settlements save that the effective trade date for any conditional dealings will be the first day on which unconditional dealings commence. If the Rights Offer does not proceed, any conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. It is expected that admission to the Official List will become effective and unconditional dealings in the linked units, all paid, will commence in London at 8.30 am on 27 October 1995. Separate dealings in the preferred ordinary shares and options are expected to commence, fully paid, at 8.30 am on 20 November 1995.



Durban Roodepoort Deep, Limited

(Incorporated in the Republic of South Africa with registration number 01/00926/06)

Renounceable Rights Offer of 2,640,000 linked units, at an issue price of 3,000 cents (South African currency) per linked unit

Share capital following the Rights Offer

Authorised		Issued		
No. of shares	Nominal value	No. of shares	Nominal value	
15,000,000	R15,000,000	ordinary shares of 100 cents each	6,600,000	R6,600,000
3,000,000	R3,000,000	preferred ordinary shares of 100 cents each	2,640,000	R2,640,000

Société Générale Strauss Turnbull Securities Limited is acting as international financial adviser, underwriter and sponsoring broker to the Rights Offer in the UK

Copies of the prospectus will be available for collection during normal business hours for a period of two business days from 27 October 1995, from the Company Announcements Office, London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 and on any weekday (Saturdays and public holidays excepted) up to and including 10 November 1995 from:

Société Générale Strauss Turnbull Securities Limited
Exchange House
Primrose Street
Broadgate
London EC2A 2DD

Vladimir Corporate Services Limited
19, Charterhouse Street
London EC1N 6QP

23 October 1995

This announcement appears as a matter of record only.



AHOLD CZECHOSLOVAKIA BV
Incorporated in the Netherlands

CZK 1,000,000,000

FINANCING FOR THE ACQUISITION OF SHARES OF
"CESKA GENERAL FOOD a.s."

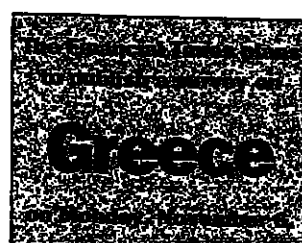
Arranged and provided by
ING BANK PRAGUE



September 1995



The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 3456



This survey will be seen by leading international businessmen in 160 countries.

If you would like to promote your organisation to this important audience please contact

Alec Kirov in Athens
Tel: +30 1 871 38 15
Fax: +30 1 647 9372

Kirsty Saunders in London
Tel: +44 171 873 4823
Fax: +44 171 873 3204

FT Surveys

The Republic of Venezuela
U.S. \$298,688,000
Collateralized Floating Rate Bonds due 2008
USD Discount Series A
In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from October 23, 1995 to April 23, 1996 the Bonds will carry an interest rate of 6.000% per annum. The interest payable on the relevant interest payment date, April 23, 1996 will be U.S. \$33.99 per U.S. \$1,000 principal amount.
By: The Chase Manhattan Bank, N.A. Agent Bank
October 22, 1995

The Republic of Venezuela
U.S. \$298,688,000
Floating Rate Bonds due 2008
USD Debt Conversion Series B
In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from October 23, 1995 to April 23, 1996 the Bonds will carry an interest rate of 6.17% per annum. The interest payable on the relevant interest payment date, April 23, 1996 will be U.S. \$34.31 per U.S. \$1,000 principal amount.
By: The Chase Manhattan Bank, N.A. Agent Bank
October 22, 1995

مكتبة الأصول

COMPANIES AND FINANCE

GDR proposal values Gazprom at \$23bn

By John Thornhill in Moscow and Robert Corzine in London

Deutsche Morgan Grenfell, the German merchant bank, has approached international investors with a proposal to sell \$50m of proxy shares in Gazprom, the giant Russian company which controls one third of the world's known gas reserves.

The speculative deal, the first attempt to attach a market value to Gazprom's equity, gives Russia's biggest company an implied valuation of \$23bn. That ranks it among the most valuable energy companies in the world - although Gazprom's directors have said it is worth 10 times more.

Given the tight restrictions on foreign ownership of Gazprom shares, Deutsche Morgan Grenfell has had to devise a complex structure for the deal. The bank is staking to issue unlisted global depositary receipts in a Russian company, Energiagazexportinvest, which was set up expressly for the deal. It bought the Gazprom shares from Russian investors, and the shares are its sole assets.

In its private placement memorandum, the bank stresses the risks in copious detail. There is no guarantee that the GDRs will ever be exchangeable for Gazprom shares nor that the company will waive its pre-emption

rights. "An investment in the GDRs is highly speculative, involves a very high degree of risk and may result in loss of the entire investment," the document states.

One fund manager who has been offered the shares said: "My sense is that the implied valuation is rich when compared with other Russian companies in the current market, especially given the questions relating to liquidity."

The private placement coincides with efforts by Kleinwort Benson, the UK merchant bank, to organise an official deal between Gazprom and a core group of international energy companies. Those efforts are said to have reached

a "delicate" phase, according to officials close to the talks. Negotiations on a trade sale have been dragging out this year after it became apparent that the original plan for an institutional offering could not proceed because of a lack of reliable financial information about Gazprom.

The bank says a share offering to foreign institutional investors is still planned, but the priority is to secure a trade sale to establish a credible market value for the company. Earlier this year the bank said a core group of trade buyers would form "a nucleus of demand" for the 9 per cent tranche of shares that Gazprom wants to sell.

Although analysts say trade buyers might have a more "instinctive" feel for the state of Gazprom, they too are demanding detailed information on the Russian company's financial health. One western company which has held talks with Gazprom last week said any trade sale would have to be more than "symbolic", and would have to include specific commitments to undertake particular projects.

KPN offering priced at Fl 55 a share

By Ronald van de Krol in Amsterdam

The Dutch government yesterday priced its offering of 100m shares in Koninklijke PTT Nederland (KPN), the country's partially-privatised telecommunications and postal company, at Fl 55 (\$35.14) each, unchanged from Friday's closing price.

The pricing confounded some analysts' predictions that institutional investors would be offered a slight discount. Retail investors were told in advance that they would receive a discount of Fl 2.50 per share on up to 100 shares allocated. From the start, the government said the prevailing market price would be the "yardstick" for the price of the second tranche.

The public offer - the largest in the Netherlands this year - was twice subscribed, with total demand running at more than 200m shares.

Details of the price and size of allocations were announced yesterday afternoon ahead of KPN's trading debut today on the New York Stock Exchange. KPN's shares have been listed in Amsterdam since June 1994, when the Dutch sold off a 30 per cent holding to raise Fl 6.6bn after costs. The latest tranche reduces the state's ownership to about 48 per cent. This may fall to about 45 per cent if the issue's underwriters, led by global co-ordinator ABN Amro Hoare Govett, decide to exercise their "green shoe" option to sell an additional 15m shares to meet excess demand.

Mr Wilco Jiskoot, ABN Amro's director-general of merchant banking, said the bank had never seriously considered offering a discount to institutions and expressed surprise at speculation that this would occur. At the same time, he described the unchanged price of Fl 55.00 as a "sign of strength" for the company's standing in the investment community.

Dutch institutional and retail investors took up 55 per cent of the offer, with international markets accounting for the rest.

NEWS DIGEST

Trygg-Hansa stages turnaround

Trygg-Hansa, the Swedish insurer, posted a SKr2.48bn (\$370m) operating profit in the first nine months in a sharp rebound from a SKr966m loss a year earlier. It benefited from a SKr1.45bn gain from the sale of some Swedish property holdings and from a turnaround in the performance of its property/casualty insurance operations.

The insurer is also putting behind it a disastrous involvement in the US insurer Home Holdings. Home's business was transferred to Zurich Insurance of Switzerland in June and Trygg's shareholding in the company will gradually be acquired by Zurich over the next eight years. Trygg's core property and casualty business recorded profits of SKr475m, after a loss of SKr128m. The group reported "fierce price competition" but said claims had been much lower than last year, falling from SKr4.94bn to SKr3.87bn. Last year's figures were aggravated by claims arising from the sinking of the Baltic ferry Estonia in September 1994. The group's total result, including the full impact of its investment performance, swung to a SKr2.4bn profit from a SKr1.87bn deficit. Investment activities benefited from falling interest rates and rising share prices.

Christopher Brown-Humes, Stockholm

Japanese banks downgraded

Japanese banks, already facing a rise in international funding costs due to increasing worries over the country's financial system, were dealt another blow as Moody's, the international credit rating agency, lowered the ratings of three financial institutions.

Long-term debt ratings of Hokkaido Tokai-Mitsubishi Bank, Nippon Credit Bank, and Chuo Trust and Banking, which are among the country's 21 leading banks, were lowered from Baa2 to Baa3, the lowest within the investment grade. The downgrades are likely to widen the "Japan premium", the extra funding cost which Japanese banks face in the international financial markets which has emerged following the spate of Japanese financial institutions' collapses and the Daiwa Bank affair.

Merita Bank to sell Swiss arm

Merita Bank, Finland's newly-formed largest banking group, has agreed to sell its Swiss subsidiary Nordfinanz Bank Zurich to Union Bancaire Privée (UBP), a privately-owned Swiss bank for a price expected to be about Sfr550m (\$482m). The sale is part of Merita's strategy of concentrating on its core Finnish business following the creation of the bank earlier this year from a merger of Kansallis-Osake-Pankki (KOP) and Union Bank of Finland (UBF).

Nordfinanz, which provides private banking and asset management services, was previously a wholly-owned subsidiary of KOP. Only about 20 per cent of its private client base is in Finland.

Nordfinanz made a declared profit of about Sfr20m last year, although under Swiss banking laws it can keep hidden reserves. The sum of Sfr550m is 1 1/2 times the bank's published book value. Sources close to the company said the deal's value was at a premium to hidden book value plus a percentage of funds under management.

The final price UBZ will pay will be set on November 30. Merita will receive part of the payment in the form of an extra dividend of up to Sfr230m from Nordfinanz. Merita should earn a capital gain of about Fm290m (\$66m). The Finnish bank has forecast a small profit this year after four successive years of losses by KOP and UBF. Merita was advised by Morgan Stanley.

Hugh Carnegie, Stockholm, and Paul Abrahams, London

C&W Europe seeks role in telecoms alliance

By Andrew Hill in Milan

Cable and Wireless Europe, the Anglo-German telecommunications joint venture, wants to join the global telecoms alliance under discussion between IBM, the US computer group, and Stet, Italy's state-controlled telecoms holding company.

The addition of Cable and Wireless Europe - which is jointly owned by Cable and Wireless of the UK and Veba, the German industrial conglomerate - would provide a strong pan-European leg to the IBM-Stet alliance.

IBM and Stet reached a preliminary agreement in August

on the formation of a partnership, which would offer international business and private clients a selection of networked telecom and computer services.

Officially, the companies are still considering a range of possible allies. But it is understood that in the past few weeks, Cable and Wireless Europe has stepped up its efforts to join the accord.

Until recently, Veba was examining another Italian option. Through its main telecom subsidiary Vebacom - 45 per cent of which is owned by Cable and Wireless - Veba was talking with Kirch, the German media group, about buy-

ing a 5 per cent stake in Mediastet, which groups together Mr Silvio Berlusconi's television and publicity interests.

Kirch is committed to buying 10 per cent of Mediastet as part of an international consortium which agreed in July to acquire 20 per cent of the company from Fininvest. Mr Berlusconi's holding company.

However, it is understood that in the past few weeks Veba decided it would be unwise to diversify into direct television investment and to concentrate instead on exploiting the potential synergies between Cable and Wireless Europe's operations in different European countries and

the fledgling IBM-Stet accord. A three-way alliance would help Stet catch up with existing international alliances, ahead of the planned sale of the Italian government's majority stake in the company.

IRI, the state holding company which owns the shares, is now aiming for full privatisation of Stet, which controls Telecom Italia, Italy's domestic phone company, and Telecom Italia Mobile (TIM), the cellular phone company, in the first half of next year.

At the moment, Cable and Wireless Europe's Italian operation is a direct competitor of the state-controlled companies. The subsidiary is in separate

discussions with Fininvest about using its television transmission infrastructure to develop a city-based "personal communications network".

Veba's domestic telecoms expertise is concentrated in Vebacom, which has the ambitions and the resources to become one of Germany's leading private telecoms operators.

Vebacom is one of the two major shareholders in E-Plus, Germany's third mobile phone network and the first based on the DCS 1800 standard. Vebacom is also developing a corporate network and has a 10 per cent stake in the Iridium global satellite communications system.

Deadline given to Czech bank

By Vincent Boland and Kevin Done in Prague

Ceska Banka, a small private Czech bank that has been placed in administration by the Czech National Bank, yesterday suspended withdrawals by its 16,500 customers after it ran out of cash.

The CNB began rescinding Ceska Banka's licence on Thursday after it sustained big loan losses, severely damaging its capital adequacy ratio. It has been given seven days to devise a rescue plan, but Mr Josef Trosky, central bank governor, said he did not expect a "miracle solution".

Softbank in talks on US acquisition

By William Dawkins in Tokyo

Corporate Japan is back on the US acquisition trail, with negotiations by Softbank Japan's largest distributor of computer software, to buy Ziff-Davis Publishing, for more than Y145bn (\$1.45bn).

Mr Masayoshi Son, Softbank's president, has revealed that he is seeking agreement on the price with the owners of Ziff-Davis, one of the largest computer magazine groups in the US, with sales estimated at nearly \$1bn annually. The potential seller is Forstman Little, a New York investment group, which paid the equivalent

of Y145bn for 94 per cent of the company late last year.

Mr Son has said that Softbank is prepared to pay more than the earlier purchase price, for 100 per cent of the shares, on the grounds that "Ziff-Davis has been making good progress in its business". Forstman Little has the right to sell the remaining 6 per cent of shares, held by the publishing group's family owners.

If successful, this will be the biggest takeover so far in a series of ambitious Softbank acquisitions over the past two years. The Japanese group had turnover of barely \$900m in the year to last March.

But Mr Son denied he risked overpaying for Ziff-Davis. "It is a company making high profits and we can expect high returns," he said. He declined to disclose details of Ziff-Davis' profitability, on the grounds that the group is unlisted.

Mr Son started Softbank 14 years ago, using the profits from a pocket translator he developed while an economics student at the University of California. Softbank has had its eye on Ziff Davis' publishing division ever since it paid \$202m last year for the group's trade show unit, Ziff-Davis Exposition and Conference.

It narrowly failed, at the time, to buy the whole group, including Ziff-Davis Publishing, after being outbid by the better-capitalised Forstman Little. Undeterred, Mr Son went on early this year to pay \$800m for the computer trade show division of Interface, a US exhibition group, funded by a mixture of new equity and bank borrowing. Trade exhibitions are an efficient method of selling software, he argued.

The Japanese company is planning to fund some of this latest purchase by issuing 2.8m new shares, to raise Y68.3bn. The balance would come from bonds and other forms of debt.

Schlumberger

SCHLUMBERGER 1995 THIRD QUARTER EARNINGS

New York, October 19: Net income was \$169 million and earnings per share were \$0.70, a gain of 25% compared to third quarter 1994. For the quarter, operating revenue was \$1.92 billion, 17% above the prior year. Operating revenue for the first nine months was 13% above the same period last year, while net income was up 26%.

Oilfield Services revenue rose 14%, while rig count worldwide decreased 3%. These results reflect in part our growing strength in markets unrelated to drilling activity, which have been the focus of our investment in research and engineering over the last few years. In all our businesses more and more customers are looking for solutions, rather than specific services or products. To respond more efficiently to this trend, we have created a new product line, Integrated Project Management.

Measurement & Systems revenue in US dollars increased 23% over third quarter 1994, due primarily to the robust demand for products and services at Electronic Transactions, Gas Management and ATE, as well as the strengthening of European currencies and business acquisitions.

DEPARTEMENT DE LA GUADELOUPE
FRF 56,000,000 TAUX VARIABLE ECHEANCE 2000
ISBN CODE : XS003466998
For the period October 19, 1995 to April 19, 1996
the new rate has been fixed at 8 % P.A.
Next payment date : April 19, 1996
Coupon n° 23
Amount : FRF 33 888,89 for the denomination of FRF 533 333,34
THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter - LUXEMBOURG

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)
ST. LAWRENCE & OTTAWA
RAILWAY COMPANY
Copies of the Balance Sheet of the above Company as at December 31 1994 are available and may be obtained from this office during normal business hours.
D.J. Keast
Deputy Secretary
62-65 Trafalgar Square
London WC2N 2DY

CANON INC. YEN
30,000,000,000
FLOATING RATE
NOTES due 1996
INTEREST RATE: 0.55938%
INTEREST PERIOD:
FROM 23/10/1995
TO 23/10/1996
INTEREST PAYABLE per
JPY1,000,000 - NOTE JPY 1,430
BY FUJI BANK
(LUXEMBOURG) S.A.

PROPERTY FINANCE SOURCEBOOK
1995-96
WHY PAY EXPENSIVE FEES?
WITH THIS BOOK YOU ARE THE EXPERT
CONTACT ESTATES GAZETTE
ON 0171 411 2651

OFFSHORE COMPANIES
Established in 1975 OCEA has 26 offices world wide, 750 ready-made companies available. For 100 pages FREE colour brochure contact:
City of Man 21 MURPHY CA Tel: +44 1254 815544 Fax: +44 1254 815557
London BICHARD COOK, 55c Tel: +44 171 305 1096 Fax: +44 171 495 3017
Hong Kong BICHARD COOK, 11th Fl Tel: +852 25200172 Fax: +852 25211190
USA KEVIN MURPHY, Inc Tel: +1 714 854 3344 Fax: +1 714 854 6992

As of 1 October 1995

Dresdner Bank - Kleinwort Benson

Equity Capital Markets Group

European bookrunners:
1/1/95 - 18/10/95

Name	Tranches	Amount US\$ (m)
1 Paribas	4	2,570.78
2 Dresdner-KB	14	2,321.73
3 SBC Warburg	17	1,600.37
4 BZW	4	1,346.60
5 UBS	6	1,111.81
6 Goldman Sachs	5	1,042.92
7 Merrill Lynch	8	744.37
8 Morgan Stanley	4	589.55
9 Deutsche MG	5	550.14
10 CS/CS First Boston	7	434.11

Proportional credit
Source: IFR/SDC OmniBase

Banesto Finance Ltd.
US\$100,000,000
Subordinated floating rate notes due 2003
Notice is hereby given that the notes will bear interest at 7.50% per annum from 23 October 1995 to 23 April 1996. Interest payable on 23 April 1996 will amount to US\$184.63 per US\$5,000 note, US\$381.25 per US\$10,000 note and US\$3,812.50 per US\$100,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Combined Strengths in International Equity

Dresdner Bank **Kleinwort Benson**

Kleinwort Benson Limited is regulated by SFA.

CONTRACTS & TENDERS

INFORMATION PAKISTAN
Development, Badin Joint Venture
General Procurement Notice
Loan Number 3500 PAK

Skid Mounted, Gas Engine Driven
Reciprocating Compressor Package
Inquiry Number WB-P-001-95

The Government of Pakistan and the World Bank have entered into a Loan Agreement (No. 3500 PAK) which provides the Government of Pakistan funds for Development of the Badin Joint Venture in the province of Sindh Pakistan. Proceeds of this loan may be applied to eligible payments under the contract for which this invitation for bid is issued.

Union Texas Pakistan, Inc. invites sealed bids from eligible bidders for the supply of four (4) each 1000 HP Skid Mounted, Gas Engine Reciprocating Compressor Packages.

QUANTITY	DESCRIPTION OF GOODS	BID DOCUMENT AVAILABLE	BID OPENING
Four (4)	1000 HP Skid Mounted, Gas Engine Driven Reciprocating Compressor Packages	October 16, 1995	November 30, 1995

Interested eligible bidders may obtain further information from the office of Union Texas Pakistan, Inc. (or address below). There will be a US\$100.00 fee for each complete bid package requested by the bidder. Bids must be accompanied by a bid security of US\$135,000 or its equivalent in freely convertible currency.

All bids must be delivered to the Union Texas Pakistan, Inc. office by 10:00 AM on November 30, 1995, and thereafter, a bid opening will be held at 10:00 AM, November 30, 1995. Bids will be opened in the presence of any Bidder representative that may wish to attend. All bids will be presented in a sealed envelope and clearly marked with inquiry no. WB-P-001-95 to:

UNION TEXAS PAKISTAN, INC.
1330 POST OAK BOULEVARD
SUITE 388
HOUSTON, TEXAS 77056
ATTN: J.D. Vaughn
TELEPHONE: (713) 968-2088
FAX: (713) 623-0122

Gelişen Pazarlar ve
Sermaye Piyasaları
Konusunda Uzman

ING BANK

TEL: 00 312 2310021 FAKS: 00 312 2310074

FINANCIAL TIMES

MARKETS

THIS WEEK

At Home in Emerging
and Capital Markets

ING BANK

TEL: 44 171 434000 FAX: 44 171 434000



Betting on the French stock market is, in part, betting against the collective determination of the French elite. Perhaps that explains why, on most measures, French equities look such a bargain.

The French market is selling at less than 12 times earnings, compared with a European average of 14.5. It is yielding 3.75 per cent, historically an attractive level. And, as the left-hand chart shows, it has significantly underperformed the European average in recent months - surely a sign that a re-rating is overdue?

Yet there is little in the way of buying enthusiasm. The only brief flicker of excitement recently came on October 9 when the franc came under attack and interest rates rose. Normally that would be a precursor to falling share prices. Instead, briefly, they jumped. For no more than an afternoon, investors felt that the interest rate rise was unsustainable, and that at some point France would have to abandon its attempt to hold up the franc. That would yield a devaluation-led growth in export earnings, and a sharp drop in interest rates.

The further you get from

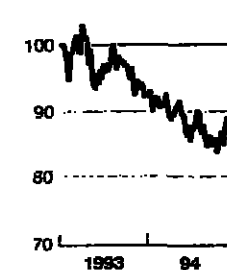
France, the more plausible that argument seems. Indeed, US investors recently ranked France as the most attractive of the European stock markets. From their point of view, the numbers are attractive and the possibility of a post-devaluation rally more than offsets the currency risk.

The closer you look, however, the less attractive the prospect, which explains why the October 9 recovery was so short-lived. Recent events can be seen either as confirmation that pressure is building up to intolerable levels within the French economy and political system - or as signs that the government and the elite are prepared to pay almost any price to achieve national goals. If the latter, there is a lot more pain to be endured.

Look at those developments in close-up. In response to a none-too-serious bout of franc weakness two weeks ago, the central bank raised overnight interest rates. This week, that rise spilled over into the retail money markets, where individuals and business start to be

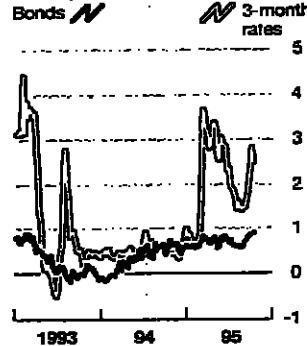
A market that looks cheap

Indices
CAC 40 Index relative to the FT/S&P Europe Index



Source: FT Intel

Yield spread over Germany



Source: FT Intel

affected. The rise in bank base rates came too late to influence the recent surveys of industrial outlook and consumer confidence. But those were already gloomy enough. Consumers in particular have abandoned the mood of optimism that briefly affected them after the election of President Chirac on a mandate for change. Now they have swung sharply back towards pessimism.

Although by most real-world economic standards France has already achieved the convergence with Germany that would make monetary union a realistic option, it has not yet convinced the markets that it will manage to comply with the government-deficit criterion inserted into the Maastricht treaty at the insistence of the Bundesbank. If France does not achieve this conver-

Global Investor / Peter Martin

A test of the elite's collective nerve

Total return in local currency to 17/10/95

	US	Japan	% change over period	Italy	UK
Cash	0.11	0.01	0.05	0.12	0.13
Week	0.48	0.05	0.35	0.48	0.57
Month	6.25	2.75	5.56	6.38	7.19
Bonds 3-5 year					
Week	0.34	0.33	0.44	0.11	0.64
Month	0.91	0.95	0.56	-0.30	0.16
Year	12.30	13.71	12.60	10.50	14.38
Bonds 7-10 year					
Week	0.62	-0.25	0.82	0.28	-0.13
Month	1.66	0.21	0.42	-1.01	-0.50
Year	18.48	17.57	13.94	12.15	13.13
Equities					
Week	1.4	0.6	0.5	-2.3	1.4
Month	1.6	-2.1	-5.4	-8.6	-11.3
Year	29.5	-7.5	6.0	-1.0	-2.4

Source: Cash & Bonds - Lloyds Bank; Equities - NatWest Securities. The FT-Asiatic World Indices are compiled by The Financial Times Limited.

Goldman Sachs & Co. and Standard & Poor's.

gence criterion, it will be unable to attain the political rewards of monetary union. The shift of power from the Bundesbank to a new European Central Bank. The pressure to achieve this target is thus intense. This dilemma helps to ensure markedly higher interest rates in France than in Germany, as the right-hand chart shows. Such interest rates - exceptionally

high in real terms - help to ensure the continuance of France's morass.

Interest-rate sensitive sectors in France - the banks, property, construction, manufacturers of consumer durables and so on - have been the worst affected. They will be the first to recover if the government abandons its commitment to the franc fort and decides on a dash for growth.

But there is no sign of such a policy. Orthodox French opinion, symbolised by Mr Alain Juppé, the prime minister, is resolutely committed to Maastricht convergence. In the long run, this policy may achieve its aim; in the short term it is likely to ensure continued stagnation. Those who favour the French market in the short run are betting that the elite's collective nerve will fail.

any continental

European countries,

including France,

face another, longer-term,

problem: financing pensions

and healthcare for its older citizens in the 21st century.

If monetary union occurs,

this long-term financial crisis

will occur against a significantly

changed background for

government borrowing. While

a country possesses its own

currency and central bank, the

government can always meet

its local-currency debts - in

extremis, by simply printing

more money. That may pre-

clude inflation, but it will

ensure that the pain of unus-

tainable government borrowing is shared between all holders of local currency-denominated assets.

After monetary union, the picture is quite different. All debt becomes, in effect, denominated in an external currency, one which the individual national government cannot control. Debt is thus "de-sovereignised", a nasty neologism now starting to creep into the discussion of this issue. It loses its certainty of repayment and acquires the characteristics of corporate debt. Lenders will require much wider spreads for those countries with the weakest financial position: that is, the highest level of borrowing and the worst prospect of raising taxes or cutting spending.

The very wide variation between the rates at which the least and most credit-worthy Canadian provinces can borrow is an example of this process at work. In a European monetary union, the gap between the best and worst credits would be wider still, since the "centre" in such a union possesses much less influence over its members - both to force lower borrowing and to provide last-minute bail-outs - than the government of a true federation. Coping with the burden of an ageing population in such circumstances will tax the ingenuity of finance ministers to the limit.

Metal trade gathers in London

Mining and metal industry executives from all over the world - more than 3,000 of them - are in London today for "metals week", and to pay tribute to the London Metal Exchange, the world's leading futures market for trading in copper, lead, zinc, primary aluminium, aluminium alloy, nickel and tin.

Coincidentally, this week is the 10th anniversary of the collapse of the tin market, when LME members collectively lost \$600m, many were nearly bankrupted and the exchange

was being written off. Today it is stronger than ever: turnover is about \$5bn a day, having increased last year by 43 per cent to a record \$30m tonnes of metal worth more than \$1,000bn.

As usual, the LME has organised a seminar to take place this morning at which analysts will discuss the outlook for the metals it trades. Analysts are unlikely to disagree with the recent verdict given by Mr Philip Crowson, chief economist at RTZ Corporation, the world's biggest min-

ing company, who suggested that metals supply and demand was moving back into better balance than seen for some years.

Mr Crowson predicted that prices this year would on average be above those for 1994 and that they would increase again in 1996.

LME week also marks the beginning of the so-called metals "mating season" when miners start serious negotiations with smelting companies about treatment charges. According to analysts there is no shortage

of concentrates (intermediate materials), so it is the smelters this year who have the upper hand.

Other events this week include the four-day annual general assembly of the Association of Natural Rubber Producing Countries, which begins in Singapore today.

Also starting today, in Luxembourg, is a two-day meeting of EU foreign ministers, whose agenda includes deciding whether to sign the International Natural Rubber agreement.



The ultimate aim of economic policy-making is to enhance people's quality of life, so it is only natural that we should want to measure it. Unfortunately this is not as easy as it sounds.

A country's material living standards are usually proxied by its real gross domestic product (GDP) - the value of incomes, spending or output adjusted for changes in prices. But GDP excludes many activities which enhance people's well-being (like growing your own vegetables) and includes others which detract from it (like the creation of pollution).

National income estimates were not originally intended as measures of economic well-being. They were pioneered in Britain and France in the late 17th century to assess the scope for raising taxes. Economists and politicians have done themselves no favours subsequently by regarding GDP as judge and jury of a nation's economic success.

Several alternative indices of well-being have been produced by making adjustments to GDP. The best known was constructed for the US in 1972 by William Nordhaus and James Tobin. Their "measure of economic welfare" added the value of leisure and unpaid work and subtracted spending on defence and other "regrettable necessities".

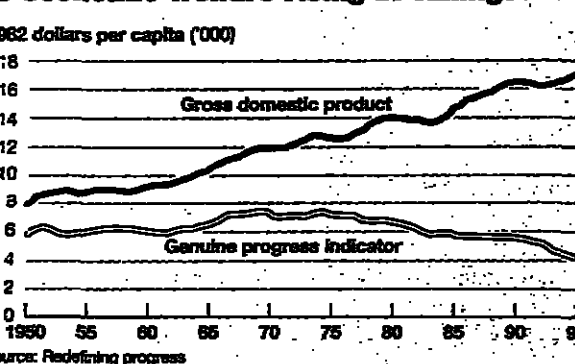
Last month the Californian think-tank Redefining Progress published a "genuine progress indicator" in the spirit of Nordhaus and Tobin's work. Largely because of pollution, environmental degradation and the depletion of natural resources, it suggested that US economic welfare peaked in 1989 and has been on the slide ever since.

The World Bank has meanwhile produced a composite measure of economic health

Economics Notebook / Robert Chote

The enemy of understanding

Is economic welfare rising or falling?



Source: Redefining progress

for various economies, augmenting data on their formal economies with estimates of the value of natural resources, human skills and institutions. The World Economic Forum's annual ranking of national competitiveness works in a similar way, drawing on many more categories of information.

These various indices and rankings make irresistible reading. They allow us to rate our performance relative to other countries and past experience. Intellectually, however, they are reminiscent of those "Answer 20 questions and discover if your partner is having an affair" quizzes which appear so frequently in glossy magazines. They draw attention to an issue of legitimate concern, but the precise numbers that emerge are arbitrary and almost meaningless.

The desire to cram several types of information into a single index is understandable and frequently conflicting indicators. But it is dangerous too. Analysing why indicators

tell different stories is often far more revealing than pouring them all together to disguise the contradictions and draw a single conclusion.

The long-running argument about the measurement of unemployment in the UK is a case in point. The opposition Labour party has undermined the credibility of the headline monthly jobless figure by pointing out that it is based on the number of social security benefit claimants, and can therefore be massaged by changing the benefit rules.

The Royal Statistical Society argues that public confidence demands a single, undisputed monthly unemployment measure. There is already a quarterly measure based on an internationally standardised household survey, which the RSS would like to see calculated monthly. But this would be expensive, so it has been suggested that the two measures should be blended.

However, this would mean adding apples to oranges. It is not possible to define unemployment unambiguously, and arguing that an official im-

mature should be granted to one particular measure risks dangerously simplifying discussion of labour market developments.

At least the claimant and survey measures of unemployment are looking at roughly the same thing, however. The big problem with composite indices such as the World Economic Forum's competitiveness ranking is that they bundle together very different sorts of information.

This means the compiler of the index has to make arbitrary decisions about the relative importance (or "weighting") of each component. How do you decide which is more important in determining a country's competitiveness - a doubling in the number of people in higher education or a 10 per cent rise in infrastructure investment?

The process is more arbitrary still when some components can only be measured subjectively, for example the extent of central bank independence or the strength of labour market regulations.

A similar problem arises when researchers try to adjust national income figures to take account of changes in the way income is distributed, as there are many ways to quantify inequality. Do we care about the income of the poor relative to the average or the poor relative to the rich, for example?

Nobody argues that GDP is a perfect measure of national economic well-being, or that it should not be supplemented by other information. But calculations of GDP are imperfect enough without adding in arbitrary adjustments and measures of the inherently unmeasurable.

Presentational inelegance though it may be, analysts need to look at a wide range of indicators, learning from the different tales they tell rather than trying to extract one consistent story. Simplicity can be the enemy of understanding as much as complexity.

It goes more PLACES, more ECONOMICALLY,

with more PAYLOAD

and more ROOM

than its JET COMPETITOR. And ALWAYS has.

King Air B200

What's more, it's a Beech. We're talking of course, about the King Air B200.

This is an airplane whose utility and capabilities strike fear in its jet competitors. And with good reason.

The King Air B200 is more fuel efficient. It takes off from shorter runways and carries considerably larger payloads in a significantly larger, and more comfortable cabin.

You'll also appreciate the fact that the King Air B200 is a proven, reliable performer. Day in and day out, over long trips and short hops, the B200 has shown its worth as an executive aircraft, corporate shuttle, even a critical care medical transport.

Little wonder then, that King Airs have outlived jet competitors by an almost two-to-one margin. Or that they've compiled a

record of 19 million flight hours. Offering even more proof of King Air's reliability and versatility.

And, since the B200 is a Beech, owners receive some additional benefits. Such as a 63-year tradition of crafting airplanes of the highest quality. And a service and support network larger than any other in the world.

For more information about the multiple talents of the King Air B200, contact the Beech distributor nearest you, or Raytheon Aircraft. Marketing, Wichita, Kansas, U.S.A. 316-676-5172. Fax: 316-676-8808. Telex: 309003 (BEECH).

Raytheon Aircraft

Beech

In Houston, call toll-free 1-800-441-1111. In other areas, call 1-800-441-1111. Fax: 1-800-441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

Beechcraft Service GmbH, Berlin, Germany. Phone: (49-30) 441-1111. Fax: (49-30) 441-1111.

EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Investors eye Washington budget battle

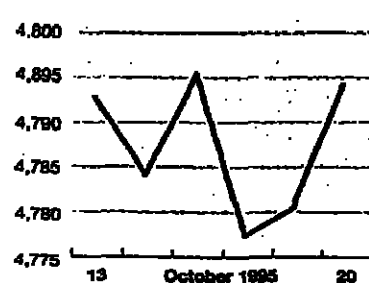
By the end of this week the stream of companies reporting third quarter earnings will have slowed to a trickle leaving equity investors more time to ponder broader macroeconomic and budgetary issues rattling other financial markets.

Last week brought sighs of relief from investors as technology giants Microsoft and Intel topped Wall Street's expectations for their quarterly earnings. That helped the Nasdaq composite end 2 per cent higher despite Friday's drop. But the news was mixed for broader indices, which ended the week much where they began amid mixed news from cyclical companies.

This week investors will focus attention on Washington, where politicians wrangling over the US budget package are refusing to extend the US borrowing limit.

Few believe anyone in Washington is

Dow Jones Industrial Average



capricious enough to provoke a default, but there is no telling what the effects of the battle may be on financial markets.

On Thursday the Commerce department puts out figures on September durable goods orders. The median forecast is for the figure to be unchanged after August's 4.8 per cent advance. On Friday investors get a look at the Commerce department's estimate of the third quarter gross domestic product. Wall Street economists are looking for growth to have picked up to 2.5 per cent.

LONDON

Philip Coggan

GDP figure may support Clarke call on rate cut

The FT-SE 100 Index retreated at the end of last week from the all-time closing high of 3,593 achieved on Wednesday, as the various takeover rumours failed to translate into action.

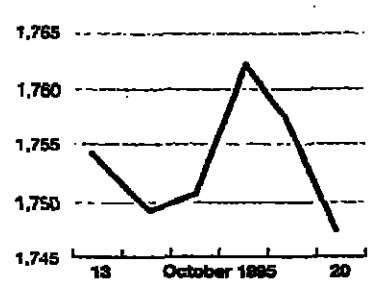
With the dividend yield low by historical standards, and with shares getting little support from gilts, a substantial bid may be needed to give the market a further fillip.

There is little in the way of results to delight or disturb the market this week, with Wolsley, ICI and SmithKline Beecham the only Footsie stocks reporting figures.

On the economic front, the key statistic this week is likely to be today's initial estimate of third quarter gross domestic product growth.

The consensus of analysts' forecasts is for a 0.5 per cent quarter-on-quarter rise, the same as in the previous period. But because faster growth in 1994 is

FT-SE-A All-Share Index



dropping out of the calculation, the annual GDP rise is expected to fall from 2.8 per cent to 2.3 per cent.

That rate is arguably below the UK's trend growth rate and may give Mr Kenneth Clarke, the chancellor, an argument in favour of lower interest rates when he next meets Mr Eddie George, the governor of the Bank of England, to discuss monetary policy.

However, at the moment, the short sterling future is not indicating that base rates will fall from their current level of 6.75 per cent before December.

International offers

Italy gets its act together over imminent Eni sell-off

International investors have been scanning the horizon for any trace of large Italian privatisations for so long, they could be forgiven for dismissing the fast-approaching flotation of Eni, the energy and chemicals conglomerate, as a mirage.

But the treasury, which owns all Eni's shares, is not bluffing when it says it wants to sell a large minority stake - some reports now suggest as much as 20 per cent - by the end of November. Eni has already begun an expensive advertising campaign on Italian television, which stresses the sheer size of the group.

Last week a series of safeguards for small shareholders, plus a "golden share" for the government, were introduced into Eni's statutes, and the company announced it was applying for a listing on the New York Stock Exchange.

Some analysts estimate the sale could raise as much as \$10bn, which would make it one of the biggest share issues of all-time.

So what happened to the political concerns, market uncertainty, and wrangling over regulatory issues which have dogged the rest of the Italian privatisation programme.

The Italian parliament seems close to approving regulatory authorities for the energy and telecoms sectors, but apart from that, most of the old worries are still about, and some of them are stronger than ever.

For example, the Milan equity market has plunged new depths recently, driven down by worries about transparency over the plan to merge Gemina, the investment company, and Ferruzzi Finanziaria, the holding company. Meanwhile, in Rome, Mr Lamberto Dini's technocratic government has unexpectedly found itself under renewed pressure because of its attempts to oust Mr Filippo Mancuso, the rebel justice minister.

But at least when it comes to Eni's privatisation, political minds seem to have been concentrated by the risk that another high-profile delay in the sell-off programme would damage Italy's dented image

abroad. As Ms Francesca Lolli, head of research at Finanziaria Indosuez in Milan, puts it: "I think there's agreement at the political level that this one has to go well."

At the same time, the treasury has won legal backing to go ahead with the Eni flotation without a regulatory authority in place, on the grounds that a majority of the shares will remain in government hands.

The legal decision makes one wonder why the government has bothered going through tedious parliamentary approval of a regulatory authority for Eni, given that it seems unlikely to sell off more than 50 per cent of the electricity producer in the first phase of privatisation.

One explanation may be that Eni is not yet ready for privatisation. Eni, under Mr Franco Bernabè, its young chairman, has been shouting how ready it is for months, in an attempt to get put to the top of the government's list.

After a long and painful restructuring programme the group announced its first dividend payout for 23 years in May, and Mr Bernabè claimed it was the fourth most profitable of the oil majors.

Eni's eagerness for privatisation should enable Eni of Italy, and Credit Suisse First Boston - global co-ordinators of the issue - to exploit a gap in the crowded calendar of international privatisations. A sale of Stet shares, by contrast, could now clash with next year's Deutsche Telekom sell-off and might feel the repercussions of sluggish demand for shares in Telefonos de Spain. Eni, on the other hand, could ride the wave of the success of the Repsol flotation in Spain earlier this year.

The treasury is even tailoring the sale of the rest of its stake in Ina, the insurance company, so as not to interfere with demand for Eni shares. The treasury placed an 18 per cent stake in Ina with friendly shareholders at the end of last month, raising L1,700bn. It has chosen to sell the rest of its shares - roughly 35 per cent of Ina's capital - through an issue of convertible bonds,

between December and mid-January.

The main reason for the convertible offer is that a straight share issue would have to be priced below last year's Ina flotation price. That would irritate shareholders who bought into Ina at the sale of the first tranche, and depress the value of the shares only just sold to core shareholders. Another equity issue would also risk distracting investors from next month's Eni sale.

The change to Eni's statutes provides further safeguards for potential Eni shareholders. Some of the measures seem specifically aimed at preventing Mediobanca, the Milan merchant bank, from using its network of corporate allies to build up small stakes in Eni.

The treasury has again introduced a 3 per cent ceiling for shareholdings, and - under the "golden share" rules, used for the first time in this privatisation - will retain the right to veto any large investor which decides to buy the full 3 per cent stake. At the same time, as in the Ina privatisation, a clause has been introduced to impede "concert party" acquisitions of shares. Investors already linked in other companies' shareholder syndicates - as most of Mediobanca's allies are - will find their shares treated as though they belong to a single shareholder.

The treasury's technicians now claim they have eliminated most political obstacles from the path of the Eni flotation. International funds are said to be reshuffling the Italian part of their equity portfolio to prepare for the arrival of Eni shares, which should offset the pronounced cyclical bias of the Milan market.

Whether the Eni privatisation will encourage international investors to increase their exposure to the unstable Italian market will depend on two linked factors: how the Dini government comes through its latest crisis, and just how generous the treasury and its advisers decide to be when it finally comes to pricing the offer.

Andrew Hill

OTHER MARKETS

AMSTERDAM

The third-quarter results season starts in earnest this week, writes John Pitt.

Traders hope this will kick-start what has been a relatively lacklustre market in recent months. Investors will in particular be awaiting the numbers from Philips on Thursday, with forecasts that the electronics group will show an improvement in net income of more than 20 per cent.

The company will have been helped by the tremendous enthusiasm shown for high-technology companies in recent months, even though the past week or so has seen some of the shine removed after US companies disappointed investors with their figures.

PARIS

Political troubles continue to haunt the equity market and most analysts have now recommended adopting an underweight position relative to the continent.

There was more bad corporate news last week, and matters are unlikely to improve much in the next few days. Accor, the hotels group, and L'Oreal are among those

companies expected to publish interim figures. The fate of the franc remains uppermost in investors' minds; but any slackening in the administration's declared policy to defend the currency against speculators remains most unlikely.

MILAN

The market will be hoping for some clarification this week after Friday's rapidly deteriorating political picture increased the chances of an early general election.

Mr Silvio Berlusconi, the former prime minister, was doing his best to stir the political pot at the end of last week, demanding a vote of no confidence in the government, pencilled in for today, and threatening to oppose the budget proposals.

The fact that foreign investors have been giving the market a wide berth for some weeks has been reflected in the recent low level of turnover, at about L500bn a day.

The low level of business has also been compounded by inactive domestic funds as they wait to subscribe to the Eni offering, which could absorb as much as L1,000bn.

The Comit index, meanwhile, had been clinging to strong

support around the 580 level until Friday's 570 point close. Some analysts believe that the way is now open down to around the 540 point level. However, there are as always optimists who believe that the market is now oversold, and could with luck be in for a short-term bounce to around 600.

ZURICH

Nine-month sales figures from Sandoz and third-quarter results from ABB, both on Thursday, will provide corporate focus for a market that posted a series of highs for the year last week.

Expectations for the Sandoz figures are high and the share has performed strongly in the wake of the nine-month reports from Roche and Ciba. Banks, however, have been at the centre of attention, thanks to the positive interest rate environment, with SBC in particular attracting interest at the expense of UBS.

NORDIC

Good third-quarter figures from SKF on Wednesday, and from Asea on Thursday, could lift the mood in Stockholm after last week's turbulence among the technology stocks.

In Norway, takeover speculation is building that another suitor is in the wings for Haldimund Nycomed, the country's largest healthcare company, which last week confirmed long-running speculation of a merger with Ivax Corp of the US.

Norsk Hydro reports third-quarter figures today and, says UBS, there could be positive surprises, given ICI's statements last week that fertiliser prices would continue to rise steeply over the next few months as steady demand meets a fall in manufacturing capacity.

HONG KONG

Hong Kong's Hang Seng Index, which last week pierced the 10,000 point barrier before consolidating, is expected to move back up towards the 10,000 level, although falls on Wall Street could postpone the upward trend, writes Louise Lucas.

There is a dearth of US economic data to affect Hong Kong this week and local investors will instead look to see if the much-touted flow of foreign funds is sufficiently strong and consistent to fuel a rally.

The picture at the end of last week was slightly skewed by

volatility, precipitated by heavy trading of derivatives. Jardine Fleming, which claims to be "cautiously optimistic", warns that the market is not cheap but will benefit from falling interest rates and a recovering domestic economy. According to the brokerage, external liquidity could push valuations higher and facilitate the likelihood of a year-end score of 10,500 to 11,000 for the Hang Seng index.

TOKYO

While some investors remain wary over potential selling by domestic institutions above the 18,000 level, most market participants will be focused on the spate of mid-term earnings results this week, writes Emilio Terazono.

Brokers will release their unconsolidated half-year results today. The Big Four - Nomura, Daiwa, Nikko, and Yamaichi - are expected to post strong figures thanks to the rally in the bond market.

Electronics makers' profits are likely to be supported by the yen's decline against the dollar. The sector is likely to see further buying, especially if the rally in US high-technology stocks on Wall Street continues.

Compiled by Michael Morgan

VIEWPOINT

Commerzbank's focus on German and European economic issues 10/95

Will private consumption curb German growth for long?

Economic growth was almost as disappointing in the first half of the 1990's as in the first half of the 1980's: western Germany's real GDP expanded by a meagre 1.8% on average between 1990 and 1995, the second-lowest rate in the past forty-five years. In the second half of the eighties, however, the growth rate tripled. All in all, therefore, the record for the decade as a whole was not too bad. Is a similar development likely to happen again?

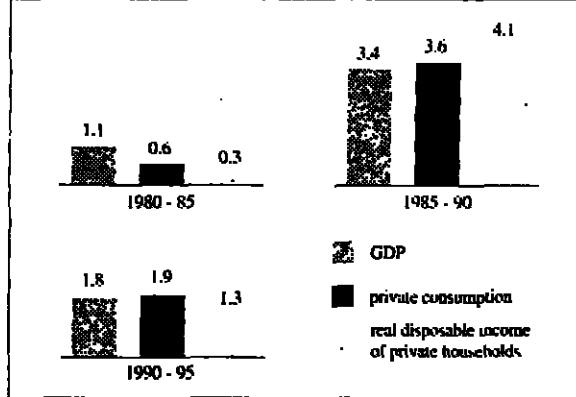
UNFORTUNATELY, the answer is probably no, one important difference between then and now being private consumption, which reflects the income situation of households. While real private consumption grew at the same rate as GDP in the first half of the nineties, real disposable income lagged behind by half a percentage point per year. And the largest component of household income, wages and salaries after direct taxes and social-security contributions, did not even keep pace with inflation; on average, they are 4% lower in real terms in 1995 than they were five years ago.

THE POOR PERFORMANCE of earned income mainly reflects two developments: a marked decline in employment during the first half of the nineties and an unprecedented rise in the burden of taxes and social-security contributions. Every year between 1990 and 1995, there was a gap of almost 1% percentage points between gross and net income growth for the typical salaried employee. In addition, private households' purchasing

power was further eroded by rises in administered prices. WHAT DOES the future hold in store? Regrettably, the government shows no great inclination to cut its revenues as a share of GDP. A reduction by no more than 1 percentage point or so is planned by 1998, yet perhaps not even this modest decline will materialize. While a further rise in social-security contributions next year will be more than offset by a cut in income taxes, and the solidarity surcharge on income taxes may be halved in the run-up to the 1998 election, 1997 could well bring another increase in indirect taxes.

Patterns of growth and private consumption

Western Germany, at constant prices, average annual growth rates



power was further eroded by rises in administered prices.

ON THE EMPLOYMENT front, 1995's high wage increases and the deterioration in the price competitiveness of German producers due to the appreciation of

the D-mark do not support the view that the second half of the nineties will see a repetition of what happened a decade earlier, when 2 million jobs were created in (western) Germany. What is more, it can no longer be taken for granted that the service sector will contribute significantly to job creation. Projections show that if wages continued to rise at this year's rate, employment would expand by no more than 0.5% per year up to the end of

BUT NEW JOBS are essential if private consumption is to achieve solid growth again. A boost in employment would significantly ease the strains on the social security system and thus contribute to the much-needed reduction in non-wage costs. While wage discipline and fiscal policy may leave much to be desired at present, a return to late-1980's growth rates is still feasible.

For more information about our banking and financial services, contact Commerzbank's Corporate Communications Department, Frankfurt. Fax +49 69 13 62-98 05

COMMERZBANK German know-how in global finance

THE ZAMBIA PRIVATISATION AGENCY IS OFFERING FOR SALE

CHOMA MILLING COMPANY PLC (In Formation)

Choma Milling Company Plc is located in Choma town in the Southern Province of Zambia about 280 kilometres from Lusaka, the capital city of Zambia. Choma milling produces two major brands of mealie meal, breakfast and roller. The company also produces brewers grits which are sold to large brewing companies. Mealie sump, mealie rice and screenings are also produced.

The Mill The mill has an optimal production capacity of 45,000 tonnes of mealie meal per annum or sales revenues in excess of US\$6 million at current prices. The mill produces high quality mealie meal and has an excellent reputation in the market. Beyond the loyal and well-established customer base in Lusaka, Choma, Kafue and Kabwe, Choma milling could tap the latent market in the Copperbelt and other parts of Zambia and neighbouring Zaire (Shaba Province), Malawi, Tanzania, Angola and Mozambique.

Choma Milling operates a Buhler mill installed in 1980. The features of the mill are:

- Intermediate six concrete bins of 562 tonnes storage capacity

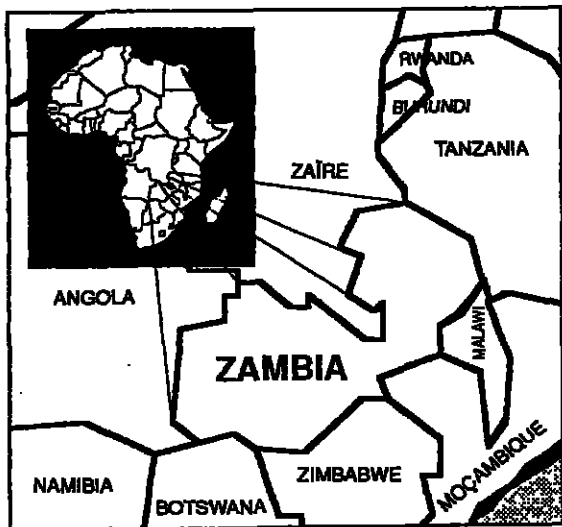
- Screen room rated capacity of 14 tonnes per hour
- Milling section capacity of 6.25 tonnes per hour
- Extraction rates as follows:
 - * Roller meal 94%
 - * Bran 5%
 - * Milling Loss 1%
- Breakfast meal 70%
- * No. 3 Meal 28.5%
- * Milling Loss 1.5%

Key Strengths of Choma Milling

- Optimal production capacity of 45,000 tonnes of mealie meal per annum.
- High quality mealie meal with excellent reputation in the market.
- Markets for mealie meal are well known and guaranteed.
- Use of readily available local raw materials, mainly maize from within Choma town.

Workforce Choma milling currently employs 120 people.

Offers Offers are invited for the purchase of Choma milling Company Plc. (In Formation).



INVEST IN ZAMBIA. Africa's model country, one of the first to experience transition to plural politics and democracy and a leader in the implementation of a privatisation programme which will establish a market economy led by the private sector. Apart from privatisation, Zambia has put in place sound policies which have, in a short period of time, reduced inflation and stabilised exchange rates. The abolition of exchange controls in January, 1994 made the local currency, the Kwacha, fully convertible.

The Zambia Privatisation Agency (ZPA) is an autonomous Agency of the Government of Zambia. The function of the Agency is to plan, implement, and control the privatisation of State owned enterprises in Zambia.

For further information about bid submission contact: The Chief Executive ZAMBIA PRIVATISATION AGENCY P O Box 30819, Lusaka, Zambia Telephone: 260-1-227851, 221866, 227791. Telefax: 260-1-225270 Bidders will be required to sign a confidentiality agreement and pay US\$100 or K30,000 for receipt of a tender package.

Zpa

The closing and opening date for submission of bids is 3rd November, 1995 at 15:00 hours.

EUROPE (Oct 20 / Sch)									
Country	Stock	Price	Change	High	Low	Open	Close	Vol	Settle
Austria	ATX	1818	+13.25	1832	1804	1818	1831	121	1831
Belgium	BELX	3450	+10.00	3460	3440	3450	3460	100	3460
Denmark	OMXC20	1100	+10.00	1110	1090	1100	1110	100	1110
France	CAC40	3200	+10.00	3210	3190	3200	3210	100	3210
Germany	DAX	2100	+10.00	2110	2090	2100	2110	100	2110
Greece	ATHEX	1000	+10.00	1010	990	1000	1010	100	1010
Ireland	ISEQ	1000	+10.00	1010	990	1000	1010	100	1010
Italy	FTSEMIB	1000	+10.00	1010	990	1000	1010	100	1010
Netherlands	AEX	1000	+10.00	1010	990	1000	1010	100	1010
Portugal	BVLX	1000	+10.00	1010	990	1000	1010	100	1010
Spain	IBEX35	1000	+10.00	1010	990	1000	1010	100	1010
Sweden	OMXC20	1000	+10.00	1010	990	1000	1010	100	1010
Switzerland	SMI	1000	+10.00	1010	990	1000	1010	100	1010
UK	FTSE100	1000	+10.00	1010	990	1000	1010	100	1010
EUROPE (Oct 20 / Dm)									
Country	Stock	Price	Change	High	Low	Open	Close	Vol	Settle
Austria	ATX	1818	+13.25	1832	1804	1818	1831	121	1831
Belgium	BELX	3450	+10.00	3460	3440	3450	3460	100	3460
Denmark	OMXC20	1100	+10.00	1110	1090	1100	1110	100	1110
France	CAC40	3200	+10.00	3210	3190	3200	3210	100	3210
Germany	DAX	2100	+10.00	2110	2090	2100	2110	100	2110
Greece	ATHEX	1000	+10.00	1010	990	1000	1010	100	1010
Ireland	ISEQ	1000	+10.00	1010	990	1000	1010	100	1010
Italy	FTSEMIB	1000	+10.00	1010	990	1000	1010	100	1010
Netherlands	AEX	1000	+10.00	1010	990	1000	1010	100	1010
Portugal	BVLX	1000	+10.00	1010	990	1000	1010	100	1010
Spain	IBEX35	1000	+10.00	1010	990	1000	1010	100	1010
Sweden	OMXC20	1000	+10.00	1010	990	1000	1010	100	1010
Switzerland	SMI	1000	+10.00	1010	990	1000	1010	100	1010
UK	FTSE100	1000	+10.00	1010	990	1000	1010	100	1010
EUROPE (Oct 20 / Yen)									
Country	Stock	Price	Change	High	Low	Open	Close	Vol	Settle
Austria	ATX	1818	+13.25	1832	1804	1818	1831	121	1831
Belgium	BELX	3450	+10.00	3460	3440	3450	3460	100	3460
Denmark	OMXC20	1100	+10.00	1110	1090	1100	1110	100	1110
France	CAC40	3200	+10.00	3210	3190	3200	3210	100	3210
Germany	DAX	2100	+10.00	2110	2090	2100	2110	100	2110
Greece	ATHEX	1000	+10.00	1010	990	1000	1010	100	1010
Ireland	ISEQ	1000	+10.00	1010	990	1000	1010	100	1010
Italy	FTSEMIB	1000	+10.00	1010	990	1000	1010	100	1010
Netherlands	AEX	1000	+10.00	1010	990	1000	1010	100	1010
Portugal	BVLX	1000	+10.00	1010	990	1000	1010	100	1010
Spain	IBEX35	1000	+10.00	1010	990	1000	1010	100	1

S

LONDON SHARE SERVICE

Symbol	Price	Chg	%	Div	Div
				Yr	Rate
100	-2.0		1.5		
87			2.75		
183	0.5		0.2		
102	-5				
22 1/2	7.1				
63 1/2	0.6				
21	-8.7				

ENGINEERING

378	0.5	1.2	Jan
383	-1.0	0.75	Jan
437	-	0.8	Mar
488	-	0.59	May
15	-	-	Nov
871	2.3	-	Nov
284	-5	-	Nov
125	-	5.75	Nov
257	-	-	Nov
348	7.5	0.5	Jan
119	1.3	0.5	Apr
48	-	-	Apr
85	-1.2	0.4	Sept
89	-	1.0	Oct
132	-	2.0	Dec

BREWERIES

120	-	2.8	Jan-Jul
92	-	-	-
207	-3	-	-
241	-39	-	-
98	-10	-	-
126	-	9.8	Jul-Dec
93	1.4	9.25	Nov
245	-	-	-
148	-14	-	-
67	-15	-	-
22	1.0	-	-
34	-35	-	-
80	2.1	1.0	Dec
23	-	-	-
29	-	-	-
25	-	2.4	Mar-Sep
71	-	-	Mr. J. Seale :

BUILDING & CONSTRUCTION

22.85	Feb	1987
11.9	Dec	1986
0.4	1.4	Aug
1.3	0.2	Feb
1.2	3.5	Oct
0.6	2.4	Oct
-7.4	21.25	Apr
0.7	0.25	Mar
-0.3	5.24	Nov
-3.0		

DIVERSIFIED INDUSTRIALS

1.0	3.17	Jul	Jan	276
1.6	0.5	Jan	Dec	44.7
1.3	0.25	Jan	Jul	81.1
	4.4	Apr	Feb	710.7
		Apr		77.4
	0.36	Aug		0.62
				28.5
5	0.13	Jul		1.28
				58.2
				3.06
4	11.04	May	May	282.5
3	1.0	Jan	Jul	608.9
				28.7
	1.2	Apr		15.0
5	0.05	Jan	Dec	108.4
	78.5	May		309.6
				74.7
	0.5	Apr	Dec	28.6
	2.16	May	Nov	22.0

FOOD PRODUCERS

7.5	Feb Aug	1.08	
-	-	440.0	1
-	-	23.8	
-	-	2.15	
4.45	Feb Sep	44.1	24
-	-	2.11	
4.45	Feb Jul	94.9	35
-	-	1.48	
5.0	Jun Dec	53.1	30.5
-	-	2.62	
-	-	40.8	
-	-	3.27	
-	-	53.0	
-	-	3.19	
2.15	Feb Jul	32.6	9.5
-	-	1.30	
2.35	May	16.9	20.2
-	-	0.64	
2.0	Jan Sep	338.1	11.2
-	Oct	2.84	6.92

BUILDING MATS. & MERCHANTS

Mar	438.9	9.16	3
May	4.88	-	1
Jan Sep	249.2	7.6	3
May	1.53	-	3
May Nov	68.216	10	3
Jan Dec	37.8	15.3	36
Nov	41.5	2.10	36
-	1.18	-	36
-	20.4	-	51
-	1.25	-	51
Mar Sep	59.2	23.8	51
-	0.88	-	257
Jan Nov	13.016	10	147
-	0.87	-	147
Jul	13.9	27.6	147

ELECTRICITY

Month	1987	1988	1989
Jan	54.9	19.6	5334
Feb	50.7	13.94	3485
Mar	24.7	11.92	2571
Apr	0.08	-	5268
May	31.4	5.93	2282
Jun	60.6	12.12	3617
Jul	11.3	18.6	2133
Aug	57.8	-	-
Sep	4.63	-	-
Oct	133.7	39.5	4845
Nov	2.96	-	5002
Dec	124.5	20.3	3636
Jan	6.73	-	5204
Feb	19.0	25.9	5287
Mar	8.02	-	5288
Apr	71.5	10.10	4987
May	3.94	-	3857
Jun	39.8	6.3	3898
Jul	29.1	-	2783

ENGINEERING, VEHICLES

Nov	206	203	2522
Dec	14.8	203	4818
	20.8	104	3642
	41.2	37	1649
	4.1511	93	1652
	12.2	2.10	3721
	73.6	25.9	4864
	3.71		4813
	12.2	3.7	2619
	0.43		2402
	550.9	12.6	5177
	64.9	4.9	5178
	8.45		4391
	35.8	11.8	2080
	1.80		3117
	122.1	4.9	4084
	84.4	15.5	4120
	1.85		4719
	138.1	3.7	4837

HEALTH CARE

17.8	2.10	4273
3.96	-	5024
108.9	-	5025
8.50	-	4476
	-	4489
373.4	28.8	3945
576.7	28.8	3946
688.7	5.6	3953
872.9	22.5	3904
23.5	-	5058
2.51	-	5060
55.1	22.5	2706
35.1	10.7	4391
4.83	-	4393
338.6	2.10	3974
21.2	30.1	1070
48.8	27.3	3978
291.8	15.5	2677
41.812.10	-	5065
29.8	9.10	4973

EXTRACTIVE INDUSTRIES

36.9	9.10	5080
27.0	21.8	1335
77.8	18.9	4014
37.5	12.6	1387
6.22	-	4239
63.8	28.8	3698
2.89	-	3958
1.08	-	3453
23.8	-	2838
2.79	-	3834
17.8	14.8	4181
12.8	21.8	4800
3.3	-	4839
8.5	-	4235
48	-	4239
5.9	18.4	5203
2.7	5.94	5042
1.4	19.6	3557
8	3.7	5055
6	21.7	

HOUSEHOLD GOODS

9	31.7	4221
9	17.7	4271
8	25.9	4300
2	25.9	-
3	21.8	4269
1	-	5216
1	11.9	2867
7	12.6	2906
7	20.2	4081
1	12.6	4292
-	-	4489
-	7.9	4295
-	27.2	4315
-	9.7	5289
-	-	2176
78.9	-	4052
-	-	4070
11.8	-	4365
15.5	-	4291
22.5	-	4306
12.2	-	-

INV TRUSTS SPLIT CAPITAL

2.25 4226
- 4240
- 1832
5.9 4450
8.5 3562
- 3671
8.8 4526

City
long

3062
3065
3066
3197

هـ: امين الأصول

LEISURE & HOTELS - Cont[illegible]

Oil Integrated Cost

[illegible]

CHURCH OFFICERS: —

[illegible]

Abstract

Div.	Dividends paid	Last	Div.	Dividends paid	Last	Div.	Dividends paid	Last
4.0	1.00	37	1.0	1.00	37	1.0	1.00	37
4.1	1.00	37	1.0	1.00	37	1.0	1.00	37
4.2	1.00	37	1.0	1.00	37	1.0	1.00	37
4.3	1.00	37	1.0	1.00	37	1.0	1.00	37
4.4	1.00	37	1.0	1.00	37	1.0	1.00	37
4.5	1.00	37	1.0	1.00	37	1.0	1.00	37
4.6	1.00	37	1.0	1.00	37	1.0	1.00	37
4.7	1.00	37	1.0	1.00	37	1.0	1.00	37
4.8	1.00	37	1.0	1.00	37	1.0	1.00	37
4.9	1.00	37	1.0	1.00	37	1.0	1.00	37
5.0	1.00	37	1.0	1.00	37	1.0	1.00	37
5.1	1.00	37	1.0	1.00	37	1.0	1.00	37
5.2	1.00	37	1.0	1.00	37	1.0	1.00	37
5.3	1.00	37	1.0	1.00	37	1.0	1.00	37
5.4	1.00	37	1.0	1.00	37	1.0	1.00	37
5.5	1.00	37	1.0	1.00	37	1.0	1.00	37
5.6	1.00	37	1.0	1.00	37	1.0	1.00	37
5.7	1.00	37	1.0	1.00	37	1.0	1.00	37
5.8	1.00	37	1.0	1.00	37	1.0	1.00	37
5.9	1.00	37	1.0	1.00	37	1.0	1.00	37
6.0	1.00	37	1.0	1.00	37	1.0	1.00	37
6.1	1.00	37	1.0	1.00	37	1.0	1.00	37
6.2	1.00	37	1.0	1.00	37	1.0	1.00	37
6.3	1.00	37	1.0	1.00	37	1.0	1.00	37
6.4	1.00	37	1.0	1.00	37	1.0	1.00	37
6.5	1.00	37	1.0	1.00	37	1.0	1.00	37
6.6	1.00	37	1.0	1.00	37	1.0	1.00	37
6.7	1.00	37	1.0	1.00	37	1.0	1.00	37
6.8	1.00	37	1.0	1.00	37	1.0	1.00	37
6.9	1.00	37	1.0	1.00	37	1.0	1.00	37
7.0	1.00	37	1.0	1.00	37	1.0	1.00	37
7.1	1.00	37	1.0	1.00	37	1.0	1.00	37
7.2	1.00	37	1.0	1.00	37	1.0	1.00	37
7.3	1.00	37	1.0	1.00	37	1.0	1.00	37
7.4	1.00	37	1.0	1.00	37	1.0	1.00	37
7.5	1.00	37	1.0	1.00	37	1.0	1.00	37
7.6	1.00	37	1.0	1.00	37	1.0	1.00	37
7.7	1.00	37	1.0	1.00	37	1.0	1.00	37
7.8	1.00	37	1.0	1.00	37	1.0	1.00	37
7.9	1.00	37	1.0	1.00	37	1.0	1.00	37
8.0	1.00	37	1.0	1.00	37	1.0	1.00	37
8.1	1.00	37	1.0	1.00	37	1.0	1.00	37
8.2	1.00	37	1.0	1.00	37	1.0	1.00	37
8.3	1.00	37	1.0	1.00	37	1.0	1.00	37
8.4	1.00	37	1.0	1.00	37	1.0	1.00	37
8.5	1.00	37	1.0	1.00	37	1.0	1.00	37
8.6	1.00	37	1.0	1.00	37	1.0	1.00	37
8.7	1.00	37	1.0	1.00	37	1.0	1.00	37
8.8	1.00	37	1.0	1.00	37	1.0	1.00	37
8.9	1.00	37	1.0	1.00	37	1.0	1.00	37
9.0	1.00	37	1.0	1.00	37	1.0	1.00	37
9.1	1.00	37	1.0	1.00	37	1.0	1.00	37
9.2	1.00	37	1.0	1.00	37	1.0	1.00	37
9.3	1.00	37	1.0	1.00	37	1.0	1.00	37
9.4	1.00	37	1.0	1.00	37	1.0	1.00	37
9.5	1.00	37	1.0	1.00	37	1.0	1.00	37
9.6	1.00	37	1.0	1.00	37	1.0	1.00	37
9.7	1.00	37	1.0	1.00	37	1.0	1.00	37
9.8	1.00	37	1.0	1.00	37	1.0	1.00	37
9.9	1.00	37	1.0	1.00	37	1.0	1.00	37
10.0	1.00	37	1.0	1.00	37	1.0	1.00	37

[illegible]

Shampien TV A	大	288	-1.0	4.5
Greenwich Comm	*	14		-
ITV	大	258	-0.8	2.75

[illegible]

Tele-Cine Corp.	1280	1.6	1.21
Telegraph	428	-2.1	13.0
Thomson	815	—	34.98

[illegible]

PHARMACEUTICALS

[illegible]

British Airways	469	-1.0	12.4
Cap 9 ⁴ pc Ov	206	-1.0084%	
Canary Pac HKS	89	-1.1042%	

[illegible]

Free annual/initial
US\$; not listed

[illegible]

subjected to

[illegible]

OIL, INTEGRATED

	Notes	Price	Change	%
Atlantic Richfield		55 1/2	-3	-5.5
Am Petrochem	<input checked="" type="checkbox"/>	47 1/2	1.0	2.5
Armat Control	<input checked="" type="checkbox"/>	50 1/2	0.8	1.6
Avon S.		230	-3.0	-1.3
Chem S.		205	-1.7	-0.8
Ind S.		195	-2	-1.0
Hydro Nitr	<input type="checkbox"/>	127 1/2	0.0	0.0

Lehigh Valley	TV	300	-3	8.16
Lehigh Valley	TV	300	-3	8.16
Lehigh Valley	TV	300	-3	8.16

Nov Jan	18.10	212
Feb Jul	3.7	140
May Oct	18.0	211
Jan May	1.5	263
Jun Aug	26.6	250

17	8.2	-
43	-	-
45	4.7	-

3.8	1.4	Oct	7.8	4086
1.7	-	Jan Sep	14.8	4087
1.8	6.4	Dec	10.94	3473
6.71	1.9	Jan Oct	25.9	2318
3.6	2.1	Jan Nov	9.10	2209
-	-	-	-	2236
3.41	1.8	Mar Oct	21.8	4941
2.98	1.5	Nov May	18.4	1408

After the share price rose to 100p, the company's share price rose to 100p and the company's share price rose to 100p.

Apr Jul	-	5273
-	17.7	5108
-	-	-
-	-	5274
Apr Aug	17.7	3678
-	-	5491
Feb Aug	-	5387
-	-	5387
Apr	28.3	-

code listed
per minute
mes.

Service is available for callers outside the UK on option £250 stg.
For more information on FT City-
ing from outside UK, please dial +44
0.

[illegible]

74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78
79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132
133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159
160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186
187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213
214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240
241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267
268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294
295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321
322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348
349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375
376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402
403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429
430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456
457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483
484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	5

NASDAQ NATIONAL MARKET

4 pm class October

AMEX COMPOSITE PRICES

Financial Times. World Business Newspaper.

FT GUIDE TO THE WEEK

MONDAY 23

Clinton and Yeltsin meet

US President Bill Clinton meets Russia's President Boris Yeltsin at Hyde Park, New York state. Mr Yeltsin is likely to reiterate his opposition to Nato's proposed eastward expansion.

Major and Menem hold talks

John Major, UK prime minister, is to meet President Carlos Menem of Argentina in New York, the first time leaders of the two countries have held formal talks since the 1982 Falklands War.

EU finance ministers

European finance ministers hold talks in Luxembourg, focusing on job creation, stalled efforts to reach a compromise on the introduction of a carbon-energy tax and Finland's progress toward the targets for monetary union.

Euro parliament in session

The European Parliament's second plenary session of the month, taking place in Strasbourg until Friday, will be dominated by a debate on the 1996 budget. Other themes are a report on the passage to the planned single European currency and the labelling of foodstuffs.

US unions to choose leader

The AFL-CIO, which represents most US unions, begins four days of meetings to choose a new president. Lane Kirkland, long-time labour leader, is stepping down and his successor will be expected to reverse declining union membership.

World radio conference

The World Radiocommunication Conference opens in Geneva (to Nov 17). Industry and government representatives from more than 180 countries will consider proposals to allocate more frequencies to satellite mobile phone systems.

Metals week in London

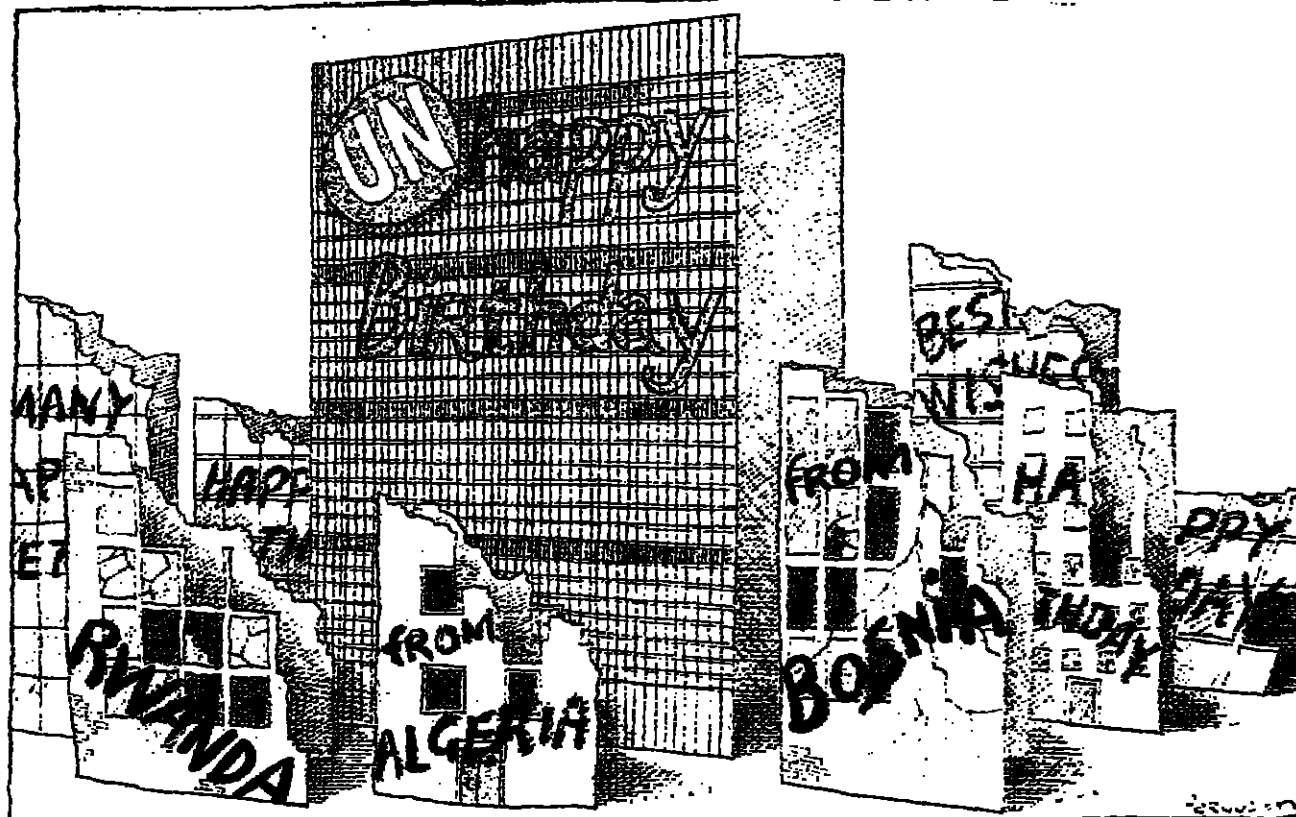
Mining and metal industry executives from all over the world converge on London for "metals week," and to pay tribute to the London Metal Exchange, the world's leading futures market for trading in copper, lead, zinc, primary aluminium, aluminium alloy, nickel and tin. Most world metal industry supply contracts are based on its official prices.

UN trade meeting

The United Nations Conference on Trade and Development begins a week-long session in Geneva to examine preferential trade arrangements for poor countries. General tariff cuts agreed in the Uruguay round of global trade talks will erode the value of trade preferences, which now apply to \$30bn-worth of exports each year by developing countries to the industrialised world.

Telkom share offer

Shares in Telkom, the Indonesian domestic telecoms group due to be partially privatised in an international



On Tuesday the United Nations commemorates its 50th anniversary at a special general assembly meeting in New York.

offering expected to raise between US\$2.5bn and US\$3.1bn, become available to international investors, with the offer period ending on November 10. The domestic share offer starts on Friday and closes on November 2.

Green meeting in Bulgaria

Environment ministers from more than 50 countries meet in Sofia to discuss ways of cleaning up central and eastern Europe under the "Environment for Europe" initiative. There will be little new money on offer but ministers hope to help in other ways by encouraging former communist countries to adopt policy reforms, change their institutional structures and involve business more directly.

FT Surveys

Germany and North Carolina.

Holidays

Fiji, Hungary, New Zealand, Thailand; India, Malaysia, Sri Lanka and Singapore celebrate Diwali, the Hindu festival of lights.

TUESDAY 24

US-China summit in New York

Presidents Bill Clinton of the US and Jiang Zemin of China meet in New York during the United Nations' 50th anniversary special commemorative meeting. China had hoped for a full state visit to Washington but in the face of US reluctance settled for the New York venue. Despite this, the meeting is seen as a chance to improve relations between the two nations, which soured

after a private visit to the US in June by Taiwan's president.

German economic forecasts

Germany's six economic institutes unveil economic forecasts for 1996 which will include the unemployment rate, the budget deficit and gross domestic product. The forecasts may confirm some signs that the economy is slowing down.

Eclipse of the sun

The sun will darken over much of Asia, as a full solar eclipse cuts a path from Afghanistan to the South Pacific, touching India, Burma, Thailand, Cambodia and Vietnam along the way. It will last from about two to three minutes, depending on location.

FT Surveys

Business Locations in Europe and Luxembourg.

Holidays

Egypt, Zambia.

WEDNESDAY 25

Kohl and Chirac meet

President Jacques Chirac of France visits Bonn to hold informal talks with Chancellor Helmut Kohl over dinner. It will be Chirac's first visit to Germany since becoming France's President. Officials expect that the pace and criteria for monetary union and next year's intergovernmental conference will be high on the agenda.

German tax shortfall

The budget committee of the Bundestag, Germany's parliamentary lower house, convenes for a two-day session. It will question Theo Waigel, the finance minister, about the expected DM11.4bn (\$7.7bn) shortfall in federal tax revenues. It looks increasingly unlikely that Mr Waigel will be able to keep within his projected federal budget deficit of DM50bn for the 1996 financial year.

Kuchma tours in S America

Ukraine's President Leonid Kuchma, after attending UN celebrations in New York, begins an eight-day Latin America tour in Brazil, before going on to Argentina and Chile. The three have sizable Ukrainian emigrant communities. The Kiev leader will be discussing trade and will also look to learn from their recent reforms how to turn closed and state sector dominated economies to the free market.

FT Surveys

Jordan, Taiwan and FT Guide to Career Choice UK only.

Holidays

Taiwan.

THURSDAY 26

Trial of sect leader

The Tokyo District Court is to hold the first hearing on Aum Shinri Kyo religious sect leader Shoko Asahara, charged with killings in connection with the Tokyo subway gas attack. A panel headed by Chief Justice Fumihiko Abe will decide the case and sentence.

Housewives of all lands unite



Housewives representing 14 countries will meet in Buenos Aires for a two-day conference aimed at winning recognition for housewifery as a profession. The organisers say the aim is to fight for quality, fair prices and advertising that does not exploit women. One of the Argentine delegates is quoted as saying: "Where would men be if women didn't save all the money?"

FT Surveys

Swiss Banking and UK Consumer Credit (UK only).

Holidays

Austria.

FRIDAY 27

UK rail bid deadline

Final bids for the first three passenger train operating franchises to be sold off as part of the privatisation of British Rail are due in by today. Nine bidders, including management buy-out teams from each of the three companies have been short-listed. The franchises on sale are for South West Trains, Great Western, and London, Tilbury and Southend, accounting for about 20 per cent of the railway by ticket revenues. The government hopes to persuade bidders to sign up for seven-year franchises but several are pressing for longer periods to justify investing in new rolling stock.

Mastering Management

The FT's UK edition contains the first issue of Mastering Management, a 20-part series written by professors and other academics from London Business School, the International Institute for Management Development (IIMD) in Switzerland and The Wharton School of the University of Pennsylvania, US.

Loosely based on an MBA curriculum, the "course" includes everything from finance and marketing to ethics and organisational behaviour. Non-UK readers will be invited to subscribe to the series.

Tokyo Motor Show

The Tokyo Motor Show is officially opened (to Nov 8). It will bring together Japan's beleaguered motor manufacturers, striving to meet the impact of recession on domestic sales and the high yen on exports. Foreign brands will be trumpeting big rises in their Japanese sales because of changing consumer tastes and price cuts triggered by the yen's strength.

FT Surveys

Chemicals Industry and London Business Property.

Holidays

Turkmenistan, Zaire.

SATURDAY 28

Rugby League

The World Cup final is played between England and Australia at Wembley stadium, London.

Horse racing

Breeders' Cup Day, one of the premier meetings in the international calendar, is held at Belmont Park, New York.

FT Survey

Schools 1,000, a ranking of the top UK state and private schools (UK and European editions only).

SUNDAY 29

Amman economic summit

More than 1,000 government leaders and businessmen gather in the Jordanian capital to promote Middle East and North African regional co-operation and integration. The gathering is a follow-up to last year's Casablanca summit which, for the first time, brought together Arab and Israeli political and business leaders. Plans for the establishment of the controversial Middle East and North Africa development bank are expected to be announced at the three-day meeting. Lebanon and Syria, who have yet to sign peace agreements with Israel, are boycotting the meeting.

General election in Tanzania

Tanzanians vote in the first multi-party elections in the country's history. The poll was originally expected to prove a walk-over for the ruling CCM party and its candidate Benjamin Mkapa, who has former president Julius Nyerere's support. But it has taken on an entirely different aspect since former minister Augustine Mrema threw his hat into the ring, broadcasting an anti-corruption message that has been drawing massive crowds.

Bike show in Birmingham

The UK's leading motorcycle show opens at the National Exhibition Centre in Birmingham (to Nov 5). It will be opened by Steven Norris, transport minister. This year, the show has more exhibitors and runs longer than ever before. Among the 450 motorcycles on display will be more than 50 new models to be shown for the first time in Britain.

Clocks go back in US/Canada

Daylight saving time ends and standard time returns, as clocks go back one hour in the US and Canada.

Motor racing

The Japanese Grand Prix is run at the Suzuka circuit in Japan.

Compiled by Patrick Stiles.
Fax: (+44) (0)171 873 3194.

Other economic news

Monday: UK gross domestic product is thought to have grown by 0.5 per cent in the third quarter, although the rise may be smaller if companies ran down inventories. Sweden's trade surplus is predicted to have fallen last month.

Tuesday: The annual rate of inflation in Italian cities is thought to have been relatively stable since last month, while inflation in Mexico should have eased. Recent rapid growth in Swedish industrial production is thought to have ebbed in the year to August.

Wednesday: Sales of existing homes in the US are expected to have tailed off last month, following the rapid increase which has taken place since the spring. French consumer spending is likely to have fallen last month.

Thursday: Durable goods orders are thought to have grown less in September than in the previous month.

Friday: Growth in US gross domestic product is expected to have doubled between the second and third quarters of the year, as the correction in inventories unwinds and residential construction picks up. Japanese prices are thought to have risen fractionally in the year to September.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Sep Treasury budget	\$8bn	-\$33.9bn
Oct 23	UK	3rd qtr gross domestic product**	0.5%	0.5%
	UK	3rd qtr gross domestic product**	2.3%	2.8%
	Spain	Aug industrial production	5.3%	3.7%
	Sweden	Sep trade balance	SKr9.5bn	SKr4.8bn
	Canada	Aug wholesale trade†	0.4%	-0.3%
Tues	US	Johnson Fedbook w/e Oct 21	-	-1.9%
Oct 24	Japan	Aug coincident index	40.0%	10.0%
	Japan	Aug leading differential index	30.0%	20.0%
	Japan	Oct trade balance, 1st 10 days	-	\$4.0bn
	Italy	Oct cities consumer price index*	0.5%	0.3%
	Sweden	Aug industrial production**	11.8%	17.5%
Wed	US	Sep existing home sales	-	4.11m
Oct 25	France	Sep household consumption†	-0.2%	-0.1%
	Aus/Ita	3rd qtr consumer price index	1.0%	1.3%
	Aus/Ita	3rd qtr Treasury underlying CPI	0.9%	1.0%
	Canada	Aug int CS securities transactions	C\$2.5bn	C\$5.1bn
Thur	US	Sep durable orders	unch	4.8%
Oct 26	US	Sep durable shipments	-	4.9%
	US	Initial claims w/e Oct 21	355,000	361,000
	US	State benefits w/e Oct 14	-	2.66m
	US	M2 w/e Oct 16	\$4.38bn	\$5.4bn
	France	Aug trade balance†	FFr6.0bn	FFr5.3bn
	Sweden	Sep producer price index**	10.1%	10.4%
	Aus/Ita	Sep motor vehicle registrations	1.0%	-5.1%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	Oct Michigan sentiment final	-	60.4
Oct 27	US	3rd qtr gross dom prod advance	2.5%	1.3%
	US	3rd qtr GDP deflator advance	2.0%	1.6%
	Japan	Sep consumer price index (nation)**	0.1%	-0.2%
	Japan	Sep retail sales**	-1.1%	-1.3%
	Japan	Sep industrial production†	-2.2%	2.5%
	Japan	Sep shipments†	-	3.4%
	Canada	Sep indust production price index*	0.1%	0.0%
	Canada	Sep raw materials price index	-1.0%	-0.3%
During the week...				
	Japan	Sep supermarket sales**	-	-1.4%
	Japan	Sep department store sales**	-	-0.8%
	Germany	Sep producer price index, West*	0.1%	0.1%
	Germany	Sep producer price index, West*	2.0%	1.8%
	Germany	Sep prod price index, pan-Germany*	0.2%	0.0%
	Germany	Sep prod price index, pan-Germany*	2.0%	1.8%
	Germany	Oct prelim cost of living, West*	0.0%	-0.1%
	Germany	Oct prelim cost of living, West*	1.7%	1.6%
	Germany	Sep icon consumer climate	-	89.0
	Germany	Sep import prices*	0.2%	0.6%
	Germany	Sep import prices*	0.6%	0.5%
	Italy	Sep balance of payments	LD.8Tr	-1.18Tr
	Italy	Aug trade balance of payments	-	LD.9Tr
	Italy	Sep M2 3-month average	0.0%	-0.2%

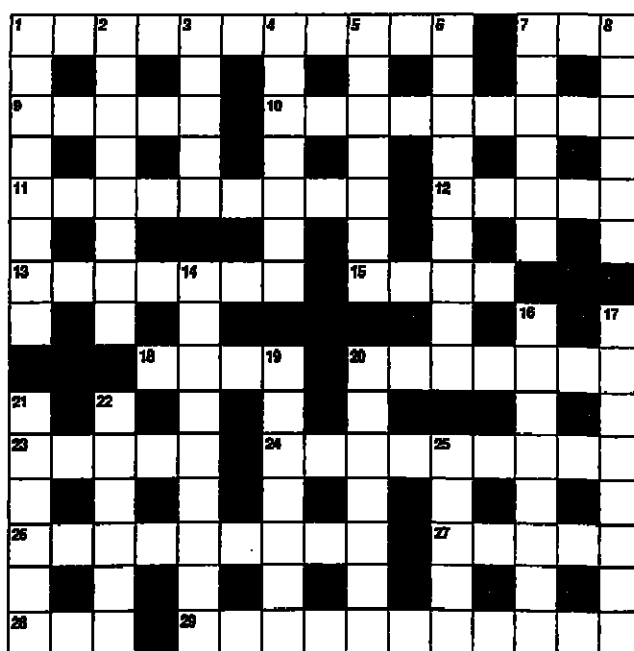
*month on month, **year on year, †qtr on qtr, ‡season adj. Statistics, courtesy MMS International.

ACROSS

- Worthless financial policy (11)
- Small house in Scotland (3)
- Repaired for only a penny in days past (5)
- Always runs to the front and points to church with respect (9)
- It reflects on you and me if, caught off course, the French grasp victory (8)
- Over eager to find common ground (5)
- Being impartial has unreal outcome - and about time! (7)
- Take off and go downhill with the leader (4)
- Guaranteed not to run quickly (4)
- Enters in disarray after parking here (7)
- About the old ship load (5)
- Ambassador got into debt and was demoted (9)
- I'm fearing the development of the telescope (9)
- Shoot back - I'm returning to the city (5)
- Fashionable name for a watering hole (3)
- Glance around merry mix-up and draw up lines for the party's success (11)

DOWN

- Pay no attention to girl's reckoning (8)
- At the Oval our side initially played with courage (8)
- Left, for example, to do up the house (5)
- Hard hearted competitor coming (7)
- Buy shares in society supported by specialist doctors (7)
- Opera lies in disarray - bring it up to usual standard (9)
- The heart of recent troubles (8)
- Melodies from "The Messiah" (6)
- Working out how to check a youngster is inside at mid-night (8)
- You and I are on the way but draw back from a certain direction (8)
- Dior gets wilder and harder to stomach (8)
- Part time soldier might make a mistake in rank (7)
- Mount a production for fellow player (7)
- Food is brought up when affected inside (6)
- A monster could be a bore! (6)
- First girl confesses to motherhood in the third grade (5)

MONDAY PRIZE CROSSWORD
No. 8,899 Set by ADAMANT

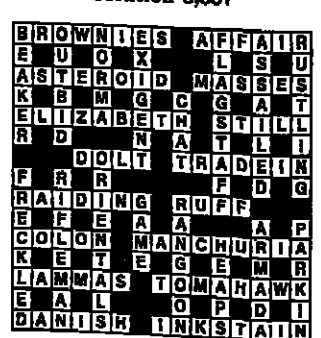
A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £36 Pelikan vouchers will be awarded. Solutions by Thursday November 2, marked Monday Crossword SE1 9HL. Solution on Monday November 6. Please allow 28 days for delivery of prizes.

Name: _____
Address: _____

Winners 8,887

H.A. Molins, London SW1
R. Green, Overijse, Belgium
C. O'Donoghue, Road, Dundee
Mrs A.G. Olsen, Great Brington, Northampton
Miss M. Thompson, Lisburn, Co Antrim
J. Williamson, Marlow Bottom, Bucks

Solution 8,887



Open...

Your mainframe has gone to meet its maker. Now you have open systems, client/server architecture, distributed processing - call it what you like.

It works. And better still, costs less. But now there are 300 budding IT Directors on the network doing their own thing, wreaking havoc.

..View

Hewlett-Packard's OpenView is a suite of tools that work as your eyes and ears on the network. OpenView can also distribute software, reduce system bottlenecks and fix faults. What's more, it looks after multiple platforms including UNIX systems and personal computer networks.

View OpenView at a MorseData Technology Briefing. And prevent your "Open" dream becoming your worst nightmare.



Morse Data

Profile West, 950 Great West Road, Brentford, Middlesex. 0181-232 8000.

MORSE

HEWLETT PACKARD

JOTTER PAD

GERMANY

Giant cloaked in uncertainty

Peter Norman reviews the five years since the fall of communism and asks where reunited Germany is heading

Earlier this month, Germany celebrated five years as a reunified nation.

It was a muted occasion as befits a country which eschews grand gestures and which earlier this year was remembering the 50th anniversary of those even more momentous events that resulted in Germany's division: allied victory and the end of the Nazi tyranny that had plunged Europe into the catastrophe of the second world war.

There were, however, other reasons for sober reflection on the union between the prosperous and stable west and the politically and economically bankrupt former communist east.

Five years on, Germany is unified but it is still some way from being one country. The takeover of the east by the west - for that was the nature of the union - is only half way to producing a self-sustaining economy in the new Länder. Although Europe's economic giant, Germany still has difficulty defining its role in the world. At home, despite growth, there are looming economic and social problems that require the political system to deliver that which generally seems in shortest supply, namely decisive action.

The foregoing paragraph may seem an unnecessarily harsh judgment about a country in which wages are high, holidays long, cars big and fast, and in which most of the population enjoys all the trappings of affluence. It does not sound much like the Germany which has been able to spend DM475bn of public funds on reconstruction in the east without letting inflation rip or allowing the D-Mark to lose its strength. Such a bleak view, moreover, gives little credit to

Germany's obvious political stability despite the strains of bringing together peoples divided for 45 years. That stability is personified in the massive figure of chancellor Helmut Kohl: the man who always had faith that the country would again be united and who in the course of next year will become the longest serving chancellor of the Bonn republic, the most successful German state in history.

But it is difficult to escape the feeling that Germany is at a cross roads. Far reaching changes are in store.

The capital is scheduled to move to Berlin sometime between 1998 and 2000. In spite of Germany's federal constitution, this event could point Germany eastwards, profoundly altering the way the nation thinks about itself and its role in the world.

A countervailing force, European economic and monetary union, is scheduled to begin about the same time, marking an important step towards fulfilling chancellor Kohl's ambition of embedding Germany's future welfare in that of the European Union.

Then there are the challenges of globalisation. For the past two years, the government has been debating how to secure Germany's future as an industrial base in the face of low cost, high quality competition from the newly industrialising countries of eastern Europe and east Asia.

Recent unemployment figures have been an uncomfortable reminder of the need for change. Although German GDP grew by 2.6 per cent in the first half of this year, unemployment in September, at about 3.5m, was higher than it was the year before.

There is widespread agree-



Berlin's Gendarmenkirche (left) and (above) the Reichstag building temporarily wrapped in silver fabric this summer by artist Christo

ment over what is wrong. German industry, thanks to a reputation for quality and a concentration of expertise in the investment goods sector, has been able to maintain its presence in export markets in spite of a strong D-Mark. It has acquiesced in high wage settlements in the interest of keeping production going.

But these achievements have been at a cost. Since the end of 1991, industry has shed 1.13m workers, a loss of nearly 10 per cent. Even members of the *Mittelstand*, the small to medium sized companies that are Germany's particular strength, are

investing abroad to average out costs.

An obvious remedy would be to attack rigidities and inefficiencies in the economy as a whole and encourage growth of the relatively underdeveloped service sector. But advocates of deregulation have a hard row to hoe. The counterpart to Germany's enviable consensus in politics and industrial relations is the fierce defence of vested interests.

Any proposal, no matter how mild, to curb non wage labour costs or prune some of the more luxuriant growths of the German welfare state is likely

to generate howls of protest from Germany's powerful trade unions and their political allies in the Christian as well as the Social Democratic parties.

Germany is a country where the consumer has little clout and deregulation has few friends.

In the summer, it appeared that the government might be in earnest in trying to extend Germany's antiquated shopping hours. Certainly Mr Günter Rexrodt, the Free Democrat economics minister, invested substantial political capital in the cause, arguing that reform would create 55,000 jobs. Two and half

months on, there is scant sign of progress, partly because of indifference on the part of Mr Norbert Blum, the labour minister who is responsible for shopping hours, and partly because of opposition from trades unions and some shopkeepers.

The shopping hours issue illustrates the inadequacies of political decision making in Germany. The government in Bonn is made up of three parties, Christian Democrat, Christian Social and Free Democrat. The upper house of parliament is dominated by states in which Social Democrats have the upper hand. In the 16 federal states are coalitions of various hues. Difficult decisions are endlessly shuffled back and forth between parties, legislatures and conciliation committees.

In recent weeks, attention in Bonn has been focused on disarray in the opposition Social Democratic party. But the centre-right coalition parties can be equally quarrelsome. This month, for example, experts of the CDU/CSU and FDP gathered for a four day conference outside Bonn to crack the problem of restraining galloping health care costs only for the meeting to break up acrimoniously after a few hours.

Fortunately, there are ways through such knots. Like many difficult issues, the shopping hours question has been declared a *Chiyosake*, something that will have to be sorted out by chancellor Kohl. However, he will only knock heads together when he believes he has a chance of success and when action fits his political agenda.

The takeover of eastern Germany may also prove to be an engine of change. Unemployment in the east affects 14 per cent of the labour force against 8 per cent in the west largely because western trade unions were determined to impose western-style wages and labour market conditions in the low productivity environment of the new Länder. Now, however, eastern German employers are increasingly making local agreements with unions which allow greater labour market flexibility.

The constitutional court in Karlsruhe is providing other ways forward. The court grabbed the headlines and angered coalition politicians

IN THIS SURVEY

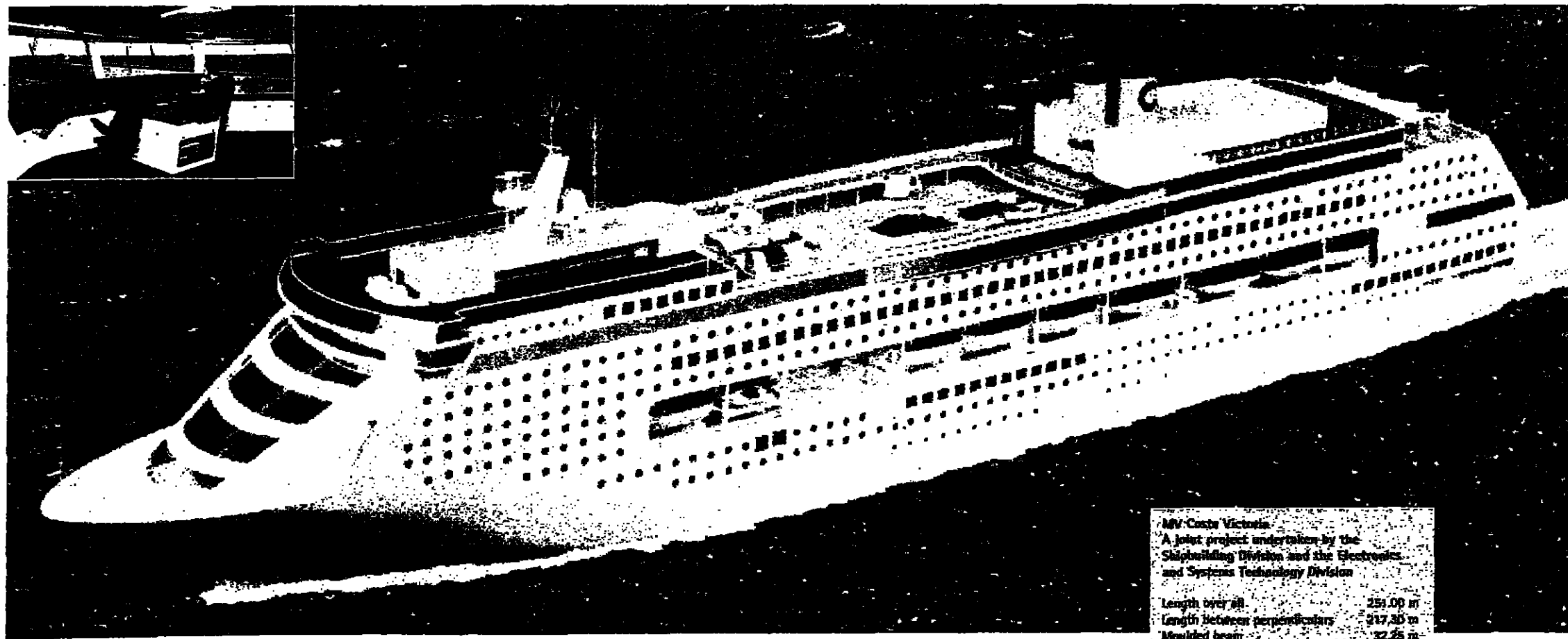
- European integration: IGC countdown; the currency issue Page 2
- Economy overview; longer shopping hours Page 3
- Finance markets; banks; industry Page 4
- Flexible practices; workers' leader Dieter Schulte Page 5
- Social security system; minister Norbert Blum Page 6
- Ideology and politics; Jürgen Stark, Kohl's 'sheep' Page 7
- Free Democratic Party; the Greens reborn Page 8
- Industry's R&D deficiency; shipyard's bicentenary Page 9
- Eastern voting patterns; 1.1m unsettled pattern claims Page 10
- Winegrowers in ferment; agriculture at bay Page 11

this summer with a controversial ruling against crucifixes in Bavarian class rooms. But recent rulings have also forced the government into raising tax thresholds for the low paid and to reviewing Germany's inheritance and wealth taxes. It was a court decision that paved the way for the Bundestag this summer to approve deployment of Luftwaffe Tornado aircraft over Bosnia.

The agonising that accompanied that decision was a sign that Germany still has some way to go before it can play a role in world affairs commensurate with its economic strength. Although Mr Kohl struts the world stage like a trouper, the uncertainties surrounding Germany's foreign policy role are shown in the acres of newspaper devoted to worried appraisals of Germany's relations with its allies and neighbours.

However, recent events show that, in spite of hesitation in domestic as well as foreign affairs, Germany is capable of change. The big question is whether change will be quick or extensive enough to maintain the country's position in an increasingly tough world.

A Dream of a Ship in Record Time



MV Costa Victoria	
A joint project undertaken by the Shipbuilding Division and the Electronics and Systems Technology Division	
Length over all	259.00 m
Length between perpendiculars	217.20 m
Moulded beam	32.25 m
Draught max	7.80 m
Gross Register Tonnage	74,000 t
Total electrical power	20,400 kW
Main propulsion power output	2 x 15,000 kW
Service speed	23 kn
Maximum speed	24 kn
Passengers	2,250
Crew	800
Classification Society	A.I.N.

Exclusive cruises are more in vogue than ever, and meeting the demand is a challenge both for shipowners and shipbuilders. In a highly competitive market, success means being faster and better than the others. We in the Vulkan Group believe the most efficient way forward is through co-operation.

The four Vulkan companies Bremer Vulkan Werft, Schichau Seebeckwerft, Lloyd Werft and STN ATLAS Elektronik have set themselves the task of completing the 74,000-tonne luxury liner Costa Victoria within 28.5 months. This cruise vessel combines unique elegance with state-of-the-art technological refinement and perfect sea-keeping.

For further information please contact Mr Detlef Rother ++49/4 21/6 68-3110



BREMER VULKAN VERBUND AG

2 GERMANY

■ FORWARD FROM MAASTRICHT: by Peter Norman

Doubts creep in

Domestic political strains may slow the advance towards deeper EU integration

For the German government, next year's planned Inter-Governmental Conference to develop European integration is at once full of promise and threat.

The hope is that the conference will be able to advance integration in areas neglected in the Maastricht Treaty and close to the heart of Germany's chancellor, Mr Helmut Kohl. The threat lies in domestic politics, for Germany will hold a general election in 1998, as the conference will be bearing fruit and a series of other European Union issues could be dominating the headlines with unpredictable effects.

Preparations for the third and final stage of European economic and monetary union, with its inevitable consequence of a programmed demise of the D-Mark, should be moving into top gear in 1998. Disquiet among German voters about the single currency has already prompted Bonn to insist on a rigorous compliance with the Maastricht convergence criteria and to propose additional agreements to limit fiscal deficits among prospective Emu entrants.

Mr Theo Waigel, the finance minister, has also mounted a noisy campaign against the name Ecu for the proposed single currency, proposing instead the "Euro" as in Euro-Mark or Euro-pound to win over a sceptical public.

Other controversial European Union issues such as enlarging the EU from the present total of 15 members and reform of the common agricultural policy should be on the agenda in 1998. A potentially acrimonious debate over fairer shares in paying for the EU budget could see Germany trying to persuade unsympathetic partners that it is contributing too much, with the attendant risk of reducing already lacklustre support for the EU among German voters.

It is little wonder, therefore, that the German government is proceeding slowly in devel-

oping its aims and strategy for the IGC. An additional problem is the unpredictability of France, Germany's closest EU partner, under Mr Jacques Chirac. His mercurial presidency has yet to do lasting damage to Franco-German relations. But it has upset many assumptions on the German side that were based on the expectation of joint Franco-German action to give European integration a push.

Bonn has said it will decide its formal goals for the IGC after the "reflection group" of member states' senior foreign ministry officials has reported on prospects for the conference at the end of this year.

But it is clear from the thoughts of government officials, and especially those of Mr Werner Hoyer, the foreign office minister of state who is also Bonn's representative in the reflection group, that Germany would like significant progress towards greater European integration from the conference.

The IGC will be charged with looking at possibilities for "deepening" EU integration in four main areas: foreign and security policy; interior and judicial affairs; reform of the EU institutions; and making the union more democratic and meaningful for its citizenry.

In all these areas, Bonn can be expected to make proposals of a strongly "federal" character. But the German approach to the IGC will not be simply one of Euro-idealism. The government also wants a more equitable sharing of responsibilities among EU members to ease what it sees as unfair burdens on Germany.

Germany believes that a joint EU foreign and security policy is needed to maintain peace and security in Europe. The war in the former Yugoslavia has shown the need to come faster to joint decisions and action.

Mr Hoyer, and the small Free Democrat party to which he belongs, favour qualified majority voting in this area to avoid lowest common denominator decisions or the blocking of EU action by a single member state. However, in cases where an EU member feels a vital security interest is involved, there should be scope

for "constructive abstention". A member state would not be able to hinder an agreed EU policy but it would be able to abstain from its implementation. For example, it would be inconceivable, under current German thinking, for a EU member state's troops to be used in joint action against its consent.

Germany favours building up the Western European Union to become the defence policy arm of the EU. One suggestion is that a single leading personality should be appointed as political secretary general of the EU's council of ministers and secretary general of the WEU.

Greater integration of internal and judicial affairs is necessary and would be popular, Germany believes. No member state can cope on its own with the growth of international organised crime. Issues such as immigration and asylum seekers require an EU solution. One idea advanced by Mr Hoyer would be to give the EU commission a right to initiate policies in the area of interior policies. However, this would not be to the exclusion of the rights of member states.

That Germany wants to push ahead on this issue is understandable. The country has absorbed far more asylum seekers and refugees from areas of conflict such as Bosnia than other EU states. It wants a fairer sharing of the burden.

The drive for institutional reform comes from the recognition that European institutions conceived for the original community of six countries cannot cope with a Union that could expand to 25 or 30 members. With its strong federal tradition, Germany is likely to push for more majority voting and a reduction of national control over EU decision making.

The Free Democrats have gone as far as to demand a European constitution with a bill of basic rights. Mr Hoyer, however, does not expect the IGC to agree such a sweeping development. Less dramatic suggestions, under consideration in the Bonn foreign office, include pooling the resources of small countries to create team presidencies of the EU.

Continued on facing page

■ EUROPEAN MONETARY UNION: by Wolfgang Münchau

The mark of nationalism

Financiers favour a single EU currency but most Germans want to keep their beloved D-Mark

In Germany, antagonism towards European monetary union has been growing steadily over the last few years, with about two-thirds of Germans opposed to the single currency, according to opinion polls.

The one sector society which appears virtually unanimous in its support for the single currency is German industry. Having suffered from a long-term appreciation of the D-Mark especially against the lira, the pound and the peseta, many German industrialists are hoping that European monetary union (Emu) would act as a protective wall against appreciation.

The conundrum is that the most likely Emu scenario – that of a core group of countries, including Germany, France, Benelux and Austria pressing ahead in 1999 – will lead to a currency union of countries that already enjoy stable parities against the mark.

If Italy were ever to qualify under the Maastricht Treaty's economic convergence criteria, then the lira, too, would probably by then have become a hard currency. As a result, whatever advantages Emu may bring, it will not be a protection against devaluation. It may still act as an inducement for trade and investment, which would constitute probably the strongest economic argument in favour of the single currency.

The notion of a hard-Emu core around Germany has met with a degree of alarm in German industry. Mr Hans-Olaf Henkel, president of the German federation of industry, said that "one should be careful with such expressions as a 'core Europe' or a 'Europe of different speeds'. There may be some areas in inter-governmental relations where this may be harmless or even inevitable. But for the economic community this is not suitable. The legal unity must not be undermined," he said.



A question of harmony: finance minister Theo Waigel conducts the Aachen customs brass band

At the same time, Mr Henkel is among the many vociferous proponents of the tough line taken by the German government and Bundesbank about the strict adherence to the Maastricht Treaty's economic convergence criteria. He advocates "even stricter debt criteria", adding that the "rules of the Maastricht Treaty are far too soft".

In the debate over Emu, German industry is torn between its pure self-interests – free trade; coherence of the present EU; low taxation – and its traditional support for sound money, whether D-Mark or E-Mark.

As a group, German industry may speak through its representatives in Bonn, but the superficial unanimity in support of an ultra-hard single currency may not last forever. It may not even exist now.

Differences have already surfaced among banks. Small savings banks, with little or no cross-border business, are dreading the logistical complexities of a change-over of their systems, and the associated costs. They are particularly afraid that savers, fright-

ened by losing out on the German government bonds, may switch their savings abroad or simply save less and spend more. Large banks, by contrast, regard Emu as an opportunity to expand their business and to establish themselves as pan-European powers.

The same dichotomy applies to industry, though this may be less obvious. German multinationals, such as Volkswagen or Siemens, with their large business volumes throughout the EU, already operate as European companies.

These companies are building up European works councils, they employ multilingual staff, and aspire to a European corporate culture. The transition to a single currency will facilitate inter-company accounting in the long run, and will greatly relieve the need to engage in sometimes costly hedging operations. There can be no question that the single currency is in the interest of Siemens, Volkswagen and Daimler-Benz.

Small companies whose activities do not cross borders, will enjoy few of these benefits. Yet they will be exposed to

many of the risks. A detailed study on this issue was presented by Roland Berger, the management consultancy, which found that the retail trade, small banks, telecommunications operators and the postal and rail services are "potential losers".

Among the potential winners are printers, paper manufacturers and a wide array of service companies. The study also stressed that the change-over would necessitate a significant amount of logistical changes that are not yet appreciated by German industry in their entirety.

If the convergence criteria are not observed to the letter for the sake of a more broadly-based membership, the future Ecu-value of German assets may fall; interest rates may be higher than they might otherwise have been; and share values may be lower.

The controversy caused by Mr Theo Waigel, the German finance minister, who in a private hearing in the German parliament said that Italy and Belgium may not qualify for the third stage in 1999, has rekindled a new debate inside

Germany about the pros and cons of the single currency.

The single currency has become one of the most hotly-debated issues among bankers, academics, in the media and in big industry. However, despite the growing media attention, most ordinary Germans, and most ordinary German companies, still see the single currency as a far off event.

Small industry is probably subject to the same contradiction of attitudes that is so typical of the wider German public.

A recent opinion poll about the public's attitudes towards Europe found that the German public has become increasingly more hostile to the single currency since 1991, with about two-thirds opposed.

At the same time, a great majority of Germans say they support the Maastricht Treaty, whose most important component is, of course, the irrevocable timetable towards the single currency. The only, and somewhat uncharitable, conclusion one could draw from the poll is that Germans do not know what they want.

The reason behind the widespread apathy and confusion is Germany's current preoccupation with other more pressing matters.

Industry is undergoing profound changes, the result of unification, the drift of investment into eastern Europe, cost pressures from cheaper production locations in the US, Europe and the Far East, the revaluation of the D-Mark against the dollar, and profound changes in industrial relations, marked by a trend towards shorter and more flexible working hours.

These factors will probably have a significantly greater impact on the well-being of industry, and the country at large, than the single currency. But this is true only as long as the currency fulfils two essential conditions: it has to be stable and must not endanger the coherence of the EU.

While German industry lobbyists purport to pursue both aims at the same time, the question arises what will happen if the two goals of a single currency and intra-EU coherence are perceived to be in conflict.

Growing Strength in International Debt Markets

Since its decision to diversify its funding sources, Landesbank Rheinland-Pfalz has become a regular and respected issuer in international capital markets – raising funds in various major currencies to refinance its loan business.

Investors are attracted by the quasi-sovereign status of Landesbank Rheinland-Pfalz, its top credit ratings, and the quality of its specialized loan portfolio.

The Bank also receives high marks for its reliability to ensure efficient markets for its bonds and for the excellence of its reporting to investors. Moreover, the Bank has shown its readiness to be innovative. For example, Landesbank Rheinland-Pfalz was the first bank of a German federal state to issue a Dragon bond (1994) and a Samurai bond (1995).

With total assets of more than DM 63 billion, Landesbank Rheinland-Pfalz is a prominent German public-sector financial institution concentrating on long-term lending and real estate financing. An active investor itself, Landesbank Rheinland-Pfalz also serves as banker to the State of Rheinland-Pfalz and functions as central bank and liquidity manager for the state's savings banks.

Landesbank Rheinland-Pfalz
D-55098 Mainz, Germany
Grosse Bleiche 54-56
Telephone (61 31) 13-01

LANDESBANK RHEINLAND-PFALZ

Experienced public-sector borrowers in Europe know that financial integration achieved so far has opened up real opportunities for effective cross-border financing –

regional and municipal levels across Europe. The Bank's specialized lending officers are recognized for their ability to tailor loans – of any size or complexity – to the requirements

EUROPEAN SAVOIR-FAIRE

SPECIALIZED DIMENSIONS IN PUBLIC-SECTOR FINANCE

including new sources of funds and banking partners specialized in public-sector lending on a European scale.

DGZ in Frankfurt is such a bank. As a central institution of Germany's Savings Banks Organization, the country's largest banking sector, DGZ is a leading wholesale financial institution with an impressive record in public-sector lending at federal,

of each borrower. This expertise is backed by DGZ's strong funding capacity, enhanced by its position as a prominent issuing house and through access to the Euromarkets via its subsidiary DGZ International S.A. in Luxembourg.

If your projects call for a bank with European savoir-faire, just call on DGZ.

DGZ – the small team with big resources



Deutsche Girozentrale
Deutsche Kommunalbank
Frankfurt/Berlin

Tourismstraße 10, D-60229 Frankfurt am Main, Tel.: (69) 26 33-4, Fax: (69) 26 33-499; Börsendamm 101, D-10625 Berlin, Tel.: (30) 31 99 67-4, Fax: (30) 31 99 67-30; Luxembourg Branch: 16, Boulevard Royal, L-2448 Luxembourg, Tel.: (352) 47 43 60, Fax: (352) 46 24 77; DGZ International S.A.: 16, Boulevard Royal, L-2448 Luxembourg, Tel.: (352) 46 24 71-1, Fax: (352) 46 24 72

ECONOMIC OUTLOOK: by Peter Norman

Over the big hump

On course for steady growth, the economy seems to have adjusted to reunification

After a fit of the jitters around mid-year, it now appears as if the German economy is on course for steady if unspectacular growth this year and next.

Gross domestic product in the first six months of 1995 grew in real terms by 2.6 per cent compared with the same period a year ago, with output in the eastern Länder advancing by a healthy 7 per cent against growth of 2.1 per cent in the west. Inflation, as measured by a new pan-German cost of living index, has fallen to annual rates of below 2 per cent.

Exports, still the touchstone of Germany's economic success, have continued to grow, in spite of the sharp upwards move in the D-Mark's international value earlier this year. Since the D-Mark has lost some of its earlier gains, some experts, such as the economists of Hamburg's HWWA research institute, have forecast that exports might grow by about 4 per cent in real terms this year and so faster than the economy as a whole.

Even the cautious Bundesbank, which recently warned that "considerable risks" in the export sector could act as a dampener on the economy, does not expect Germany to cease growing.

On the other hand, growth in 1995 will fail to meet the forecast of 3 per cent published by the Bonn government early this year. The expected shortfall, together with lower than expected inflation, has forced Mr Theo Waigel, the finance minister, to reduce his expectations of tax revenues by DM20bn this year and next. That spells more belt tightening at federal, state and municipal level.

The news of slower growth is also bad news for Germany's 3.52m unemployed. Since July, when pan-German unemployment jumped by an unexpectedly sharp 133,700, it has become apparent that Germany is facing a jobs crisis. While the July increase largely reflected seasonal factors, a jump of 74,000 in seasonally adjusted unemployment in August and September com-



Chancellor Kohl with France's President Jacques Chirac: on course again

bined suggests unemployment is a structural problem.

Unemployment affected 9.2 per cent of the working population in September, in that month the number lacking jobs was higher than in the corresponding month of 1994 for the first time this year. At mid-year, Germany's 34.8m strong working population was some 30,000 lower than in June 1994 in spite of economic growth in the meantime.

It is the Bundesbank's view that the sharp rise of the D-Mark in the spring and relatively high wage settlements this year have deterred employers from hiring labour. According to the Paris-based Organisation for Economic Co-operation and Development, the spring settlement in the metal working industry could lead to an increase in hourly wages of about 4.5 per cent this year and 5.5 per cent in 1996.

Certainly, reports from companies suggest that employers are responding to high costs, including the highest labour costs in the world, by shifting investment abroad. Although some sectors, such as the chemical industry, appear to be thriving, others are faring less well. The aerospace industry is in a deep structural crisis and faces heavy job losses. The motor industry has been reporting slower growth rates. The building industry is facing its first serious downturn in nine years, following a 12 per cent drop in orders in the first half. There are fears that a wave of bankruptcies could be about to hit eastern Germany as construction-led investment growth slows.

In the circumstances, it has been a boon that minimal money supply growth and low inflation have allowed the Bundesbank to cut interest rates with a boldness that has surprised many analysts. It acted decisively in August when it cut the psychologically important discount and lombard rates by a half percentage point to 3.5 and 5.5 per cent respectively. The reductions were followed by a steady downwards drift in the securities repurchase or repo rate, which acts as the benchmark for money market rates.

The interest rate cuts, together with tax reductions scheduled for next year, should give a boost to the domestic economy and sustain growth. The Bundesbank has written, not without some concern, of an anticipated "pause" in the process of consolidating public sector budgets next year. Germany still expects to undercut the Maastricht convergence limits of 3 per cent of GDP for the budget deficit and 60 per cent for the stock of public debt. But the federal deficit is due to increase to DM60bn in 1996 from DM49.5bn this year before resuming a downwards path to DM29bn in 1998.

The Bonn finance ministry has had little choice in the matter. It was a constitutional court ruling that obliged the government to increase sharply the tax-free thresholds in the personal income tax system with effect from next year. As a result of this and other tax changes, the tax burden of Germany's citizens will be cut by an estimated DM19bn in 1996.

It is true that other levies, such as payments towards the state pension scheme, are due to rise. But in general, government policy is now tilted towards cutting taxes as well as reducing the share of state spending in GDP to around 46 per cent by the end of the decade from more than 50 per cent at present.

Mr Waigel has his sights set on a reduction of business taxation, including abolition of the local trading capital tax, which imposes a levy on the capital of a company irrespective of whether it is profitable. The government hopes to begin removing the special 7.5 per cent "solidarity surcharge" on personal income taxes, which has been used to support eastern Germany, from 1998 at the latest. Germany's inheritance and wealth taxes are also due for review following a recent constitutional court judgment. In the long term, Mr Waigel would like to see top rates of below 50 per cent on most taxes.

Changing taxes in Germany is fraught with political and technical difficulty. But a reduced tax burden is the sort of tonic that the German economy needs. For although Germany has come through the five years since reunification with a strong currency and low inflation, its high taxes and social levies have sapped its growth potential. Even with strong support for consumer demand from this year's wage increases and next year's tax cuts, the economy will do well to maintain this year's rate of expansion and grow by around 2.5 per cent in 1996.

SHOPPING HOURS REFORM: by Andrew Fisher

Putting the customer first

The debate over shopping hours is a test of Germany's responsiveness to market forces

To their opponents, they are out-of-date and anti-consumer. To their supporters, they help protect jobs and small businesses.

Germany's regulated shopping hours are under discussion again, and this time there seems a strong chance that they will be relaxed. Many economists see the issue as a touchstone of Germany's willingness to become more attuned to market needs.

Despite its high quality goods and sophisticated infrastructure, Germany is not noted for its service culture. Yet in other western economies, the service sector is among the most dynamic sources of growth and jobs.

Shopping times in Germany are kept within strict legal bounds, but pressure for longer hours is mounting. Mrs Ingrid Berberich, a lecturer in German, is one who would definitely welcome a relaxation of shopping curbs. "I want to be able to shop longer," she said while browsing through a Frankfurt department store. "It would be nice if shops stayed open longer, like in the US."

She is doing so in the hope that the momentum generated by a recent study, commissioned by the government from the Ifo economic research institute, finally leads to a change in the *Ladenschlussgesetz* (shop closing hours law). The report has stimulated a debate which could allow shops to stay open longer on weekdays and Saturdays, though Sunday remains taboo.

The issue raises strong feelings on both sides. While more shoppers like Mrs Berberich want longer hours, some see no need or are opposed. "It doesn't concern me," said a bank official shopping in the same store. "I can shop when I want. I don't need longer hours. There's already enough time available."

Since 1956, shops and stores have had to close at 6.30pm on weekdays - though allowed to stay open until 8.30pm on Thursdays since 1989 - and 2pm on most Saturdays. On the first Saturday of each month, they may stay open until 4pm. The so-called "long Saturday" used to be longer, but was shortened from 6pm when the late Thursday concession was introduced.

Shopping hours is not an issue for which many politicians are willing to stick their necks out. Mr Günter Rexrodt, economics minister, pushed for more liberal hours last year but the plan was dropped for fear it might alienate voters - especially among small shopkeepers - ahead of October's general election. This time, Mr Rexrodt is being more careful, holding talks with Mr Norbert Blum, labour minister, who is circumspect on the issue, and



Shoppers on Berlin's Kurfürstendamm: a desire for fewer restrictions

the retail industry. Opinions are divided in the industry and among politicians. Ultimately, much will depend on whether chancellor Helmut Kohl takes up the issue. He intends to be involved in any decision and has told the main retail association (HDE) that he will study "if and whether any consequences" need to be drawn.

Big stores want a relaxation, but there would be losers in suburban areas

This comment, made before Ifo's conclusions were known, was interpreted by the HDE as supporting its firm anti-liberalisation stance. The retail, banking and insurance union (HBV) also strongly opposes longer hours. So do many small and medium-sized shopkeepers who fear the weight of competition and higher costs.

But Ifo has delivered strong ammunition to those urging change. It proposes that shops and stores be allowed to stay open until 10pm on weekdays and until 6pm on Saturdays. Certain types of shop should also be permitted to stay open at night. It also recommends scrapping the 68.5 hour weekly total limit on shopping hours.

Ifo calls the present law a curb on consumers' freedom. Although people have come to terms with the hours - about a third of consumers say they would like them extended - Ifo said most would benefit.

There would also be advantages for employers and those seeking work. Most retailers say they do not want the law altered, but new sales opportunities could open up for department stores in inner-city areas, innovative family-owned and other shops in niche markets, do-it-yourself chains, and outlets selling long-life goods such as furniture, cars, electrical appliances and clothing.

Ifo reckons that relaxing the law could add 2.3 per cent, or some DM20bn, to retail turnover over two to three years.

This would mean 50,000 more jobs, many part-time; the equivalent in terms of full-time jobs would be up to 32,000 (1.3 per cent of those now employed in the retail sector). Ifo says enough people would be prepared to work late if the jobs were there.

Having looked at countries which have liberalised shopping hours - Germany is almost unique in Europe in not having done so - Ifo finds a wide variation in opening times. In Sweden, for example, weekly shop hours range from 55 to 74 hours, and in France from 40 to 66, depending on the type of outlet and neighbourhood.

It is this very scope for meeting different consumer needs in different areas at different times that lies behind the arguments of the reformers. Ifo notes that hypermarkets or other big cash-and-carry stores in out-of-town sites tend to stay open later in France. In the UK, the Netherlands and Denmark, convenience stores and evening- or night-shops have sprung up.

In Germany, longer hours would benefit businesses in urban centres and shopping complexes, says Mr Joachim

Bernsdorff, retail analyst at Bank Julius Bar Deutschland. Also, he adds: "This is a big chance for the small mom-and-pop stores which can then convert themselves to convenience stores with a strictly limited product line, such as Seven Eleven in the United States, or with a selection such as is now offered by many fuel service stations."

But there would be losers, too, mostly in smaller towns and suburbs. Opponents of relaxation have a large voice through the unions - who would insist on much more pay for longer hours, as is the case on Thursdays - many retailers and a number of politicians of all parties. But the front is crumbling, and Ifo has helped weaken it.

Mr Bernsdorff is convinced the law will be modified, with weekday hours to around 8pm rather than the 10pm favoured by Ifo. Big department stores such as Karstadt and Kaufhof now want a relaxation of hours. Since consumers are increasingly keen to shop when it suits them, the government will have to decide whether to move in the direction pointed out by Ifo, and if so how far.

EU hesitations

Continued from facing page
The obvious dislike of the average German for plans to replace the D-Mark with a single European currency has come as a profound and salutary shock for the policy making elite in Bonn. Plans to make the EU more comprehensive and relevant to Germany's 80m citizens are therefore high on the government's agenda for the IGC.

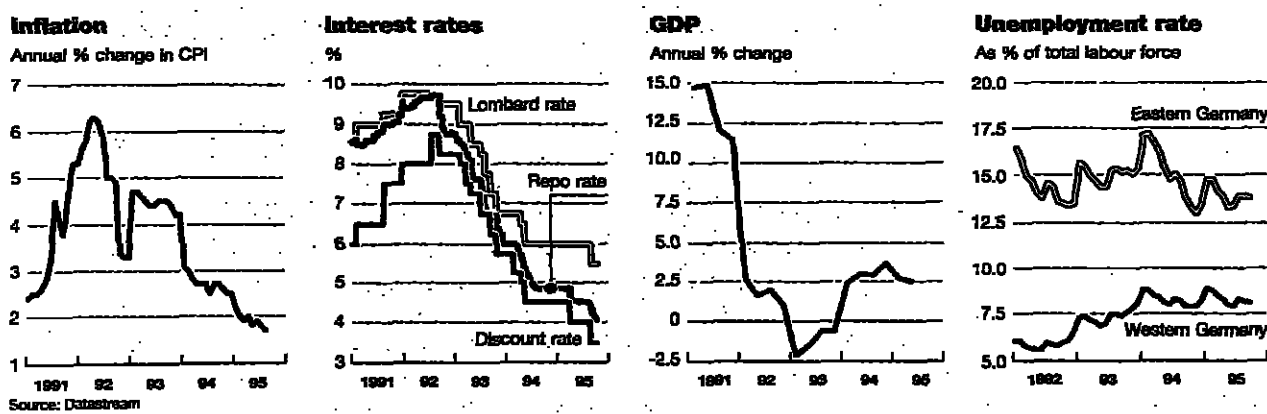
Subsidiarity, the idea that decisions should be taken by bodies as close to the citizen as possible, is inherent in the German constitution. The principle will underpin German pressure for democracy and decentralisation in the EU.

Germany's current thoughts about the IGC may look modest given its long-standing support for the idea of political union in the EU. But Mr Hoyer

is anxious not to overload the conference, still less to put things on the agenda, which the government considers settled, such as the Maastricht treaty plan for moving to Emu.

As matters stand, the government is aware that careful "agenda management" will be needed to prevent progress being derailed by rows over such issues as the European budget and the reform of the CAP. Moreover, if the German government is to fulfil Mr Kohl's ambition of embedding Germany in Europe to guarantee the nation's future security and prosperity, it is going to have to launch a major effort to win its citizenry for the idea.

Upbeat publicity to boost Emu and the EU is in preparation. As Mr Hoyer says: "It is impossible to sell Europe with a downturned mouth."



NORD/LB'S COMPETENCE

TO ENSURE YOUR PROJECTS DON'T LOSE THEIR THREAD: NORD/LB CORPORATE FINANCE.



"You mustn't lose the thread if you want to reach your objective successfully", is a favourite quote of ours. If you are involved in complex project financing, we are the people to give you active advice on the development and structuring of investment plans and the appropriate customised financing concept.

OUR OFFER:

Get the benefit of our range of corporate financial services. Our professionals will ensure your project doesn't lose its thread. Telephone: 49/511/361-4884

NORD/LB

NORDDEUTSCHE LANDESBANK
GIROZENTRALE

Hannover · Braunschweig · Magdeburg · Schwerin
Hamburg · Frankfurt · Luxemburg · London
New York · Singapur

4 GERMANY

THE FINANCIAL MARKETS: by Andrew Fisher

A prolonged adolescence

The first insider trading case and big public offerings are testing the markets

Life has not been dull in Germany's financial markets this year. The country has had its first insider trading case, a new and long overdue takeover code has been drawn up, plans have been laid for electronic securities trading, leading bourses are discussing merger plans and an impressive series of new share issues has been launched.

In part, these developments reflect earlier legal and structural changes aimed at bringing Germany's markets more in line with those abroad and with its economic strength. It is a process that still has some way to go, however. By the standards of large global markets like those in New York, Tokyo and London, Finanzplatz Deutschland (Germany as a financial centre) still has to reach full maturity.

Despite the string of initial public offerings (IPOs) this year, the number of quoted companies in Germany remains low by international standards. So does stock market capitalisation in relation to the size of the economy. Nor do one insider trading case and a welcome, though rather mild, takeover code mean that the German securities market - centred in Frankfurt - has finally shed its deficiencies.

But the trend is encouraging. As well as the efforts of legislators and administrators, it is market pressures that have prompted the change. As this year's flow of sizeable IPOs shows, German companies are increasingly keen to broaden their shareholder base and subject themselves to the discipline of the equity market.

Raising funds from domestic and foreign investors can be cheaper than borrowing from a bank. Companies willing to follow this route are also aware that their profile is lifted by a stock market listing, with consequent benefits for their international activities. Today's managers, whether from companies' founding families or from outside, have far more exposure to international financing and business methods than their post-war predecessors.

This year's new issues have included companies in pharmaceuticals (Schwarz Pharma), flooring (Tarkett), do-it-yourself (Praktiker), specialty chemicals (SKW Trostberg) and graphite and carbon (SGL Carbon). As well as domestic investors, foreign investors in Europe and the US have also been targeted.

The biggest IPO this year is that of E. Merck, the pharmaceuticals concern. At around DM2bn, a record for Germany, it dwarfs the others easily. Also on the way is an issue of shares from Adidas, the internationally known German sports shoe and clothing company that fell on hard times and has now bounced back. Compared with last year's fairly thin IPO calendar, therefore, 1995 is proving a lively year for new equity issues.

But 1996 will be the real test for Finanzplatz Deutschland. It is then that the country's biggest ever new issue will take place - that of Deutsche Telekom, the state telecommunications concern, which will raise some DM15bn. Selling such a huge issue at home and abroad will stretch the resources and skills of the German and foreign banks in the issuing consortium to the utmost.

With the Telekom sale looming, other companies have been keen to have their IPOs out the way first. "The decks are being cleared for Deutsche Telekom," says Mr Kevan Watts, head of European investment banking at Merrill Lynch, the US securities house. Thus it is unlikely that next year will see such a flow of other IPOs as 1995, although "the unexpected can always happen".

The Telekom issue will do much to raise equity awareness in Germany, where investment in shares is tiny compared with that in bonds and other fixed interest instruments. Institutions such as insurance companies also remain somewhat inhibited when it comes to equity investment, even though restrictions on the amounts they can put into shares - both in Germany and abroad - have been eased. German markets would open

KEY FACTS		
Area	355,900 sq km	
Population	81.2 million	
Head of state	Roman Herzog	
Average exchange rate	1994 \$1=DM 1.6218	
	1995 \$1=DM 1.4358	
ECONOMY		
GNP (constant DM bn)	2,701.4	2,758.6
Real GNP growth (%)	2.4	2.1
Components of GNP (%)		
Private consumption	55.8	NA
Government consumption	18.1	NA
Gross fixed investment	19.5	NA
Change in stocks	0.5	NA
Exports	40.2	NA
Imports	-34.1	NA
Annual % change in		
Consumer prices (%)	3.0	2.2
Manufacturing production (%)	3.6	1.8
Unemployment rate (%)	8.2	8.1
Financial balance (%GNP)	-2.5	-2.3
Public sector debt (%GNP)	59.5	NA
Money supply (M3)*	4.9*	0.3*
Total reserves exc. gold (\$bn)	77.4	NA
DAX index (% change)	-7.06	4.26*
Current account balance (\$bn)	-23.7	-17.5
Merchandise exports (\$bn)	425.3	524.5
Merchandise imports (\$bn)	374.5	454.9
Trade balance (\$bn)	50.8	69.6
Main trading partners* (% 1994)		
	Exports	Imports
France	12.0	11.0
UK	8.0	6.2
USA	7.9	7.3
Italy	7.6	8.4
Netherlands	7.5	6.2
Bel/Lux	6.7	6.1
EU	57.7	55.4

(1) Year to date. (2) Forecasts unless otherwise indicated.
(3) Change from average of Q4 of previous year, annualised.
(4) End period. (5) August. (6) BOP basis. (7) Share of world trade.
Source: EU, Datastream, OECD

up considerably if the national pension system had more scope for private provision. Instead, it is based mainly on the pay-as-you-go system in which employees' contributions pay for current retirees' pensions and are not invested in funded schemes for the future. But as the PAYG system comes under financial pressure, individuals are likely to be more alert to the need to save as a way of enhancing their own future pensions.

Both German and foreign banks see opportunities for more portfolio management business in this area, since pension funds rely heavily on equities to help provide a solid average return over decades. "We see an increasing trend [in Europe] to the UK and US model of professionally managed pension schemes," Mr Watts says. "The impact on businesses like ours could be very fundamental and exciting."

Without a well-developed pension fund sector, the German stock market will be handicapped in its efforts to

become as heavyweight internationally as the country's economy. German companies have large pension reserves with which they supplement retiring employees' state pensions, but these are invested internally and not in the market.

But Deutsche Bank has plans to encourage companies to diversify part of their reserves, though it will have to work out how to prevent such funds losing their favourable tax treatment if they are invested externally. Other plans are also being made to encourage employers to focus more attention on workers' savings and pension requirements.

Another US investment bank, J.P. Morgan, is working with Dresdner Bank on the use of existing tax incentives to promote employee share ownership in large quoted companies. While pensions will not be an immediate priority, Mr Claus Löwe, head of the US bank's German operation, says: "Using incentives is an important first step towards helping employees build their own worthwhile wealth base."

Employee representatives have responded positively, he says. Deutsche Telekom would be an obvious candidate for such a scheme. Mr Jürgen Rahn, in charge of corporate finance for J.P. Morgan in Germany, believes the scheme could help stimulate share ownership. "The idea of creating a larger amount of stock placement with employees is certainly part of the whole process of improving Germany's equity culture." Thus the long-term impact of such moves could be considerable.

BANKS UNDER PRESSURE: by Andrew Fisher

In an earthquake zone

Profits remain high, but industrial failures have left deep scars on the top lenders

Germany's banks have been going through a tough time and their problems are by no means over. They still earn handsome profits, but margins are being squeezed, costs are rising and competition is hotting up. Customers have become more demanding and traditional banking methods are under threat.

Outside their immediate sphere of activity, the banks are also under pressure. Corporate disasters and costly rescue attempts have dented their image. The very mention of the names Schneider (property), Metallgesellschaft (metals, chemicals and trading), Klockner-Humboldt-Deutz (diesels) and Barmenia (insurance) are enough to remind bankers of their fallibility.

Some of these disasters and near-disasters stem from banks' close links with industry: another source of constant criticism. The big banks hold large stakes in Metallgesellschaft and KHD and were called on to help when the companies ran into trouble. Deutsche Bank, Germany's biggest credit institution, took the most flak in both cases.

Nor did Deutsche Bank, and Mr Hilmar Kopper, its chairman, emerge unscathed from the demise of the property empire of Mr Jürgen Schneider, whose flight from financial disgrace ended in the US, first in a nondescript Miami apartment and then in jail. Mr Kopper uttered the word "penalty" to describe the size of small creditors' claims in relation to total Schneider debts and the German press pounced gleefully on this embarrassing indiscretion.

Countering those who argue that the banks have too much power - *Macht der Banken* (power of the banks) is a recurring theme on Germany's

financial scene - Mr Kopper and others say the relationships with industry generally have a stabilising rather than a disruptive effect. Metallgesellschaft is now recovering fast from the near-collapse caused by its oil futures trading losses in the US, and it was the banks which saved it.

But banks' shareholdings in industry continue to make them vulnerable to political criticism. Though small in relation to total stock market capitalisation, these holdings tend to be in prominent companies. Deutsche Bank has sizeable stakes in Daimler-Benz (vehicles, aerospace and electronics), Allianz (insurance), Continental (tyres) and Philipp Holzmann (construction), among others.

Dresdner Bank, Commerzbank, Westdeutsche Landesbank and others also own large chunks of industry. Some politicians would like to see these stakes reduced, but Mr Kopper has threatened to go to the Federal Constitutional Court if banks are forced to sell shares. Such sales would incur heavy capital gains taxes.

A parallel theme to that of stakes in industry is banks' representation on companies' non-executive supervisory boards. Because of their connections with industry, banks often occupy prominent positions on these boards. The supervisory boards of both KHD, the diesel company given a much-needed and costly capital injection this year, and Metallgesellschaft are headed by Deutsche Bank executives.

This, too, is the subject of political debate. The government may try to strengthen the supervisory board system by reducing the number of seats any individual can hold, currently 10. Banks, too, are trying to reduce their supervisory board commitments. Mrs Ellen Schneider-Lemé, a director of Deutsche Bank, said early this year that bankers should stop taking on the chairmanships of supervisory boards - "industrialists tend to be better qualified because of



Economics minister Günther Rexrodt: tough time for banks

their experience".

Her comments show that banks are rethinking their industrial role as the corporate governance debate continues in Germany. Another imported concept, that of shareholder value, is also forcing them to shift their ground. If banks own too much of industry, then companies are insulated - at least, partly - from the disciplines of the capital market.

But the demand for cheaper sources of capital is in any case turning many companies away from traditional lending relationships with the banks to equity financing. The flow of new issues on the German stock market this year shows that clearly. If more companies can be persuaded to come to the market and more investors induced to put money in equities rather than bonds, the banks' financing role would change significantly.

The banks are preparing for this, notably in the area of investment banking. As capital markets become more globally integrated and German companies look further afield for sources of finance, banks are building up their skills in mergers and acquisitions, equity issues and asset management. Thus Dresdner Bank has just bought Kleinwort Ben-

son, the UK merchant bank, and Deutsche Bank is integrating its investment banking activities more tightly with those of Morgan Grenfell, its UK subsidiary.

Other banks are also spreading their wings internationally. Commerzbank has been on a buying spree in the asset management sector and WestLB is building up its investment banking side in London. The smaller BHF-Bank has refused its activities on corporate advisory work, domestic securities and currency trading, and portfolio management and has close links with Charterhouse in the UK and Crédit Commercial de France.

But while foreign activities may absorb much of their time and money, all German banks face intensifying competitive pressures at home. In "retail" banking, as more people take to telephone and direct banking, the traditional branch network - one of the world's densest per capita - will undergo a change, with fewer staff and more focus on customer help.

Banks are already spending heavily on new computer and software systems to take them into the electronic banking age, with younger clients especially keen to make the most of new technology. Deutsche Bank has just launched Bank 24 as its comprehensive direct bank, with Commerzbank having entered the fray first with Comdirect in February.

Both of these units are run as separate subsidiaries, away from Frankfurt, with staff who are mostly part-time and come from outside banking. The banks do not expect to make profits from such operations until 2000. But the potential market is a large one, estimated at around 6m people or 15 per cent of total customers.

Although they are behind the UK, German banks lead the field in the rest of Europe with their move into home or virtual banking. Thus whatever their other problems, German banks have glimpsed the digital future and are investing to ensure it will be profitable.

HEAVY INDUSTRY: by Wolfgang Münchau

Voices of the apocalypse

Low-cost factories in eastern Europe and the Far East are causing cries of pain in Germany

German industry in the mid-1990s is undergoing profound change on a scale unknown since the beginning of the republic.

The changes are partly related to the increased cost of production in Germany - a combination of rising wage and social costs, energy costs, and the strength of the D-Mark. They are also a consequence of competition from eastern and southern Europe and south-east Asia as manufacturing locations.

This dual problem has given rise inside Germany to apocalyptic forecasts. One industrialist, who runs a mid-sized textile machine company, said that "if this goes on, we will soon only be able to produce

packages for condoms, and perhaps not even that". German newspapers and magazines are full of warnings that companies may move entire factories over to the Czech Republic or to Malaysia.

The two factors that fuelled the near-panic this year were the strong appreciation of the D-Mark against the currencies of Germany's most important export markets: the US, Italy, the UK and Spain. The half-year corporate results of 1995, while generally strong, all contained warnings that the strength of the D-Mark had a severe impact on earnings. Given the current robust economic climate, one can only guess that, had the D-Mark not appreciated, Germany would be in a boom comparable with that of the late 1980s and early 1990s.

The most prominent corporate victim of the strength of the D-Mark is Daimler-Benz, Germany's largest industrial company. Especially at Daimler-Benz Aerospace (Dasa), the defence equipment and aircraft manufacturer, the situation has become critical, because Dasa is a company with a D-Mark cost base, while most of its sales - and all aircraft sales - are denominated in dollars. In such a case, no buffer zone exists when the currency appreciates, except in the short-term through hedging.

Despite vicious cost-cutting programmes over the years, losses have been mounting with the result that the management has this year embarked on a programme to allow the company "to live with a permanently low dollar". The result is a programme of job cuts, a decision to move some output to Asia, and to put business with component suppliers on a dollar basis, which amounts to passing the currency risk down to the suppliers.

Despite the D-Mark appreciation, the majority of German industrialists remain committed to the rigorous monetary policies pursued by the Bundesbank. Dissenting voices have been relatively rare.

One of the few chairmen, who came out against the Bundesbank was Mr Wendelin Wiedeking, chairman of Porsche, who in a magazine interview said that German monetary policy should not pursue low inflation as a singular aim, but should also strive to maintain a stable, or non-appreciating, currency. Porsche, of course, is a company that has been severely hit by the strong D-Mark, as much of its production is exported into the US.

But there are also examples



Daimler-Benz's Manfred Gentz and Jürgen Schremp are worried

of companies that have bucked the trend and deliberately chosen to invest in Germany despite strong competition from abroad. One such company is Adam Opel, the German subsidiary of General Motors. Opel decided to build a new diesel factory in the Pfalz region of south-western Germany. Opel managers maintain that the location offered an advantageous mix of low-costs, high-quality labour, and an unusually flexible labour agreement, even by Germany's improving standards.

The general level of costs, even without taking into account the exchange rate effect, constitutes without doubt a serious problem for many companies, and one where there is no immediate solution available.

Energy costs, a problem frequently cited as more pressing than wage costs, remain among the highest in Europe, especially if set against France. The high price of energy is a consequence partly of Germany's green politics. The energy price gap with the rest of Europe is likely to increase if the opposition Social Democrats and the Greens ever assume power on the federal level. Both are committed to a reshuffle in the tax system to reduce direct taxes in exchange for higher energy taxes.

Set against this, German managers will always point out that the high skill level of the German workforce remains the key element that sustains German competitiveness. The skill factor, of course, applies mainly to industries where such skills are not easily emulated elsewhere. While it does not apply to textile manufacturing, a high labour-intensive industry in perennial decline, it does apply to most engineering sectors, including car manufacturing, an area which indirectly accounts for 25 per cent of employment in Germany.

An additional benefit that partly compensates for the high wage costs is the increased readiness by German trade unions to entertain the idea of flexible working arrangements, which in some cases has resulted in one-off production gains of over 10 per cent.

But even within car manufacturing there is now a trend towards relocating part of production abroad. Mercedes-Benz is currently in the middle of building its first car plant outside Germany in Alabama. BMW has started production of its 3-series car and its roadster in nearby South Carolina.

However, one must not misinterpret the reasons for such shifts. In these cases, the companies have decided that in order to improve their penetration of the US market, the largest car market in the world, it is necessary to produce and to manage locally. The argument is primarily one of marketing. Local production, of course, also offers the ultimate protection against shifts in exchange rates.

There can be no doubt that these various factors together precipitate change. However, whether that change comes to Germany's advantage or disadvantage is far from clear.

YOU WANT TO SPEAK GERMAN? SPEAK TO US FIRST!

WE OFFER INTENSIVE GERMAN LANGUAGE COURSES

FOR ALL LEVELS OF PROFICIENCY

TEACHING METHODS INCLUDE:

- AUDIO-VIDEO MATERIALS
- GRAMMAR EXERCISES
- CONVERSATION PRACTICE
- READING AND WRITING EXERCISES
- CULTURAL AND HISTORICAL BACKGROUND
- SPECIALIZED COURSES FOR BUSINESS AND TOURISM

PLEASE SEND THE FEE SCHEDULE OF YOUR LANGUAGE COURSES TO:

NAME: _____

ADDRESS: _____

CITY: _____

GOETHE INSTITUT

HEINRICH-HEINE-ALLEE 1

D-50667 KÖLN 1, GERMANY

TEL. 089-1 99 21 200

FAX 089-1 99 21 202

FT REPRINTS

We can supply reprints of articles/pages of the FT reduced to convenient sizes.

Minimum 100 copies.

Tel: 071 873 3213

Financial Times

Number One Southwark Bridge

London SE1 9HL

TLG TLG Treuhand Liegenschaftsgesellschaft mbH
Alexanderplatz 6 · 10178 Berlin

Solid Ground for Entrepreneurs ...

... in all matters of real estate in the new German federal states: the TLG's vast stock of land sites in all areas of Eastern Germany is the solution to your individual real estate and investment projects. Please contact us for more information on our range of industrial, commercial and residential properties.

TLG REAL ESTATE MARKET REPORTS

contain all relevant information on sales prices, rental prices, economic data and trends in the real estate market in the new German federal states.

TLG Market Reports	For more information, send fax to *49.30.31 54-6257:
Thuringia 1995 copies/English copies/German à DM 49 plus postage	└ Please send me the TLG market reports mentioned on the left (by mail order)
Mecklenburg-Upper Pomerania 1995 copies/English copies/German à DM 49 plus postage	└ I would like to specify my real estate requirements. Please send me a questionnaire for your client database.
Brandenburg 1995 copies/English copies/German à DM 49 plus postage	Name:
Saxony-Anhalt 1995 copies/English copies/German à DM 49 plus postage	Address:
Saxony 1995 copies/English copies/German à DM 49 plus postage	Fax No.:
	Date: Signature:

FT 10.85



A welder in Berlin: industry feels the heat

WORKING PRACTICES: Wolfgang Münchau

Battle of the coffee break

Industrial unions are increasingly ready to be more flexible over working practices

Few aspects of German life attract so many clichés as the German labour market: labour is said to be overpaid; social surcharges are crippling; working hours short; and productivity gains moderate. German labour, it is said, has priced itself out of the market, losing out to eastern Europe, Asia, Spain and Portugal, and Britain.

Like many clichés, this is only partly true, and it underestimates the German labour market's ability to handle new situations.

There is no argument about the cost of labour in Germany, which is the highest in the world, especially when considering the insurance contributions companies have to pay for retirement pensions, health and unemployment.

The single most significant factor that has catapulted Germany to the top of the world pay league table, as measured by statisticians, is not the surprisingly large 1995 wage agreements - about 6 per cent in the metal industry - but the appreciation of the D-Mark.

A look at the unemployment figures suggests that German unemployment, while still high, is below the EU average. According to the International Labour Organisation, German unemployment was 8.2 per cent in August, which compares with 8.8 per cent in Britain, 11.3 per cent in Italy and 11.8 per cent in France.

The German figure is boosted considerably by the five eastern states, where unemployment, though down from the previously frightening levels, remains well above the average. The ILO figures (which are only for Germany as a whole) would translate into an unemployment rate for western Germany of about 7.5 per cent, using the same statistical base. The notion widely held elsewhere in Europe that Germany has priced itself out of the market is certainly not supported by the unemployment statistics.

The most important recent trend-bucking development in the German labour market is the increasing readiness by the trade unions to accept more working time flexibility. Mr Klaus Zwickel, president of the IG Metall, the metalworkers union, caused much surprise recently when he came out in open support for schemes under which over-time work can be recompensed not by money but by shorter working hours at times of low demand.

Two examples of such flexibility are found at Adam Opel, the German subsidiary of General Motors, and Volkswagen, its arch-rival. At Opel, management and employees agreed to a deal over a working week of 30-40 hours, giving management the right to decide on actual working times in response to production cycles.

The 35 hour week, the present norm in the metal sector, is therefore no longer a weekly target but merely an annual statistical average, to which Opel remains committed. Mr David Herman, chief executive of Opel, said "this is the most innovative labour arrangement I have experienced in my entire working life, whether here or in the US".

The question of working time was also the main topic of controversy in the arduous

annual summer wage round at Volkswagen. The agreement reached in September envisages a similar flexibility, with the added concept of "employment checks".

At times of above-average demand, workers will be asked to work at top end of the working week "window". For the additional hours worked, they will receive employment vouchers, which can be cashed in at times when employment levels fall below average.

Outsiders are prone to underestimate the impact of working time rules on productivity. At Opel, the mere introduction of a 10 hour window is expected to produce an 11 per cent jump in productivity.

At Volkswagen, the deal also marks an improvement, albeit from a near-catastrophic starting point. Experts claim that the company, which employs close to 100,000 in Germany, is overstaffed by about 30,000.

As a company with a long state-owned tradition - today the state of Lower Saxony still retains a minority stake - VW operates some archaic working time rules.

For example, VW workers

High wages and greater flexibility over hours may become the basis of further industrial agreements

are allowed an hourly break of 2½ minutes - five minutes before the recent wage agreement - during which the entire plant comes to a standstill and workers flock to coffee and cigarette machines. There is now a debate whether to have one break of 2½ minutes every hour, or a break of five minutes every other hour.

The issue of flexibility does not end with the working time window. Both Opel and VW tried, so far unsuccessfully, to introduce Saturday as an ordinary working day. VW operates limited Saturday work and will continue to do so, but failed with its central demand for a six-day working week.

That level of flexibility is still anathema to the trade unions. The IG Metall argues that Germany has a tradition of a work-free weekend, which should not be sacrificed for profits.

A trade union, in a recent press interview, said that by agreeing to Saturday work "we would open the floodgates for seven-day work round the clock".

Such fears are not unfounded. When Siemens, the electronics company, recently decided to locate a semiconductor plant in the UK rather than Germany, it gave as one of its main reasons the ability to run three shifts seven days a week.

The trade unions, however, recognise that working place security and high pay levels still rank as the highest priorities among the multiple objectives of their members.

It is unclear whether Saturday or Sunday will ever become ordinary working days. But it appears that the mix of high wages, low and falling average working hours and increasingly flexible time arrangements will be the basis of further industrial agreements in Germany.

PROFILE Dieter Schulte

Labour's generalissimo

Michael Lindemann on the influence of the unions and their national leader

If Mr Dieter Schulte plays his cards right he can be one of Germany's most powerful men. As head of the Deutscher Gewerkschaftsbund or DGB, the Federation of German Unions, he commands an army of almost 9.8m workers belonging to 16 unions in everything from the leather industry to the police.

That army may be gradually shrinking, as people in many countries leave unions, but DGB officials say membership has risen in recent months following a successful wage battle earlier this year.

Playing the right cards is becoming increasingly difficult for Mr Schulte, however.

The 55-year-old, who began his career as a blast furnace bricklayer at the steelmaker Thyssen, acknowledges that structural changes are occurring which are transforming the traditional industrial society and require the unions to

adapt quickly. On the other hand, there is little evidence of a strategy to combat these changes. The DGB boss dismisses talk about German companies moving production abroad because Germany has the highest wage costs in the European Union.

"The suggestion that [production] will be moved to the lower wage countries in the east - Poland, the Czech Republic - has merely become the substitute for Japan," Mr Schulte said, trying to relight the pipe which has become one of his hallmarks.

"Ten years ago we were told: 'If you're not more flexible on the question of working hours, if you're not more flexible on the question of wage agreements, then the Japanese will overtake us.' That has not happened," Mr Schulte says, and when German companies invest abroad they do so mainly to supply growing markets more efficiently and not solely to escape Germany's high wages.

In 1993, he says, German companies made direct investments worth DM153bn in other EU countries, invested DM76bn in the US and spent a whopping DM12bn in Switzer-

land which is even more expensive than Germany.

When it comes to the cheaper eastern European destinations, the figures pale in comparison: DM0.6bn was spent in Poland, DM0.1bn in Russia and DM2.2bn in Hungary.

But there is evidence that this time Mr Schulte may have got it wrong. Many factories and plants in towns not far from Düsseldorf, where the DGB is headquartered, have closed in recent years.

Furthermore, the IKB Deutsche Industriebank, a bank which closely linked to the investment decisions of many German companies, says that its Düsseldorf branch has received inquiries from about 400 of its 2,000 longer-term clients, many medium-sized German companies, about moving production several hundred kilometres to Poland or the Czech Republic.

A recent OECD report meanwhile identified Germany and Japan as the only two industrial nations where inward investment is "negligible".

Mr Schulte insists that issues such as Saturday working and greater flexibility on working time can all be dis-



Dieter Schulte: a question of strategy and vision

cussed but he says that in the process the employers are trying to dismantle the entire relationship with the unions which has proved remarkably successful over the last 50 years. That is something he rejects outright.

He says he is trying to reform the DGB and get the member unions used to the idea of structural change, including the implications brought about by better communications and information technology.

Progress is being made, he says. Six or seven years ago it was still taboo to discuss such developments, partly because changes such as home-working may also have radical

implications for union membership, creating a situation where unions can no longer keep tabs on their members the way they used to on the factory floor.

Mr Schulte, however, is keen to see more and more people working from home. Union members, he says, can in future be recruited over the Internet or other new media.

As well as having to try to reform the DGB, Mr Schulte is in delicate discussions with chancellor Helmut Kohl and the barons of German industry over how to improve employment in Germany.

The DGB has made proposals to restructure the way social insurance is being paid

but that would merely require the federal government to find more money. A 4 per cent wage rise for the engineering industry earlier this year suggests that prospects of a significant cut in wages look dim.

Mr Schulte is no fiery union leader, who saunters up to the rostrum and mesmerises his audience. That is just as well because the close ties between German unions and employers is not suited to the likes of an Arthur Scargill, the turbulent leader of the British miners.

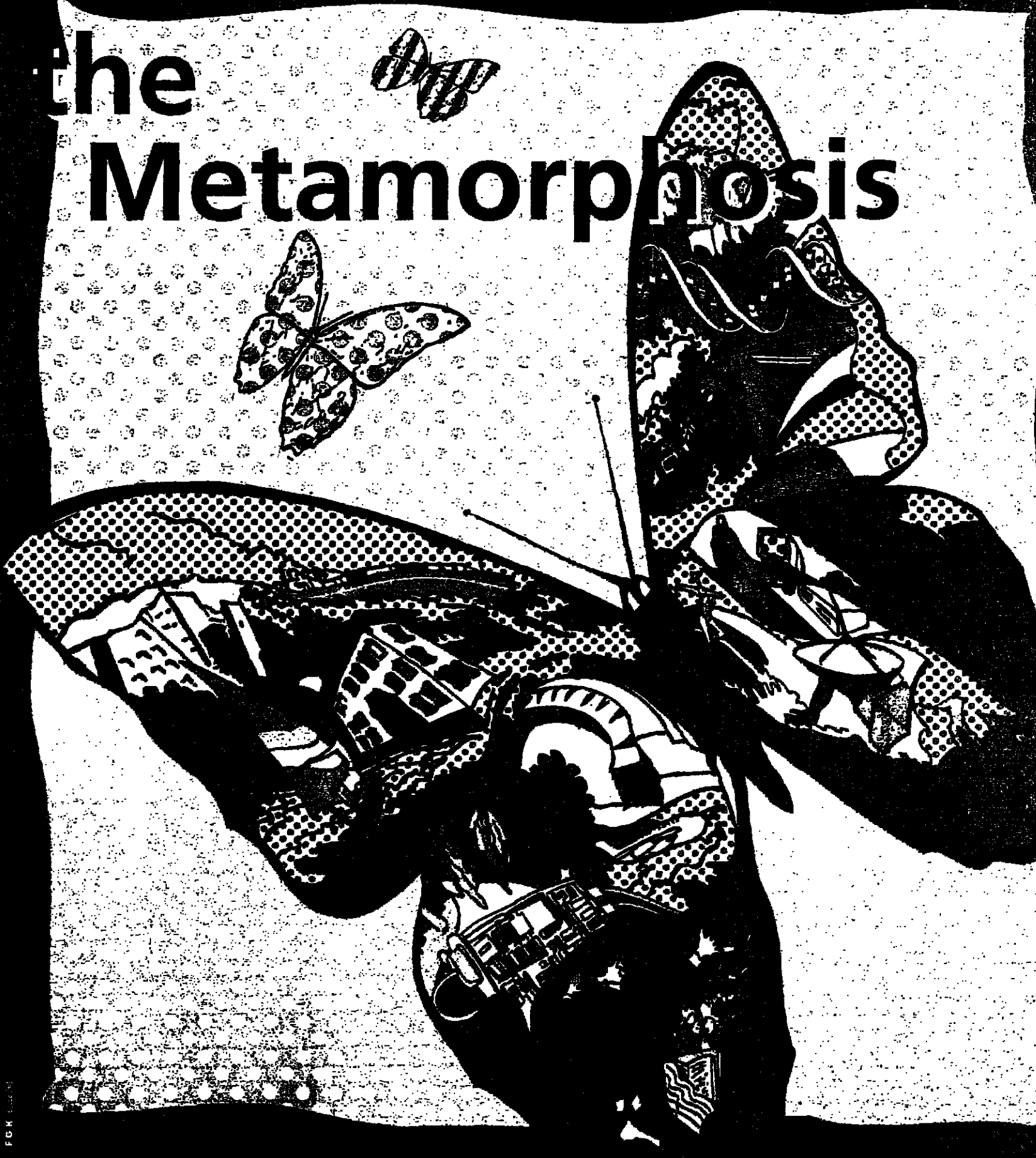
Schulte has a penchant for the blue shirts with white collars - which one normally expects to see the employers wearing - and a weakness for Hermes ties. His wife, he says, used to drive a Porsche but he has forbidden her to do so because, even though she is self-employed, it would cause Mr Schulte a "union dysfunction", problems.

Dress aside, Mr Schulte has worked his way up through the unions and knows better than anyone else how they can be marshalled.

German workers may well be reluctant to see a real fall in wages, given the high levels of taxation. Mr Schulte remains, however, one of only a few people who can help find a way out of the impasse caused by high wages and rising unemployment.

WHERE LIFE MEETS BUSINESS: IN THE NORTH-WEST OF GERMANY.

the Metamorphosis



DON'T MISS THE CHANCE: THE RUHR.

A fascinating development has changed the face of an entire region in the Ruhr: From the IBA (International Construction Exhibition) at Emscher Park emerges the biggest park in Europe. And from the

old narrow base of coal and steel a new, broader one is appearing, with a promising future, founded on economics and research, culture and education. So when are you going to change your view of the Ruhr?



FAX +49-201-2069-555

For further information: KVR - The Ruhr, 45032 Essen

THE RUHR REGION: A EUROPEAN EVENT

6 GERMANY

■ SOCIAL SECURITY: by Wolfgang Münchau

Towards a two-tier welfare system

Wealthier people are turning to private health schemes as the state pays less

The main reason why Germany's labour costs are the highest in the world is not the level of salaries and wages but the cost of social security, borne to equal degree by employees and employers. In total, they account for about 40 per cent of the wage costs.

The current debate about Germany's loss of competitiveness invariably pinpoints the social system as the main culprit, both in terms of the way it is structured and the way it is funded. The unemployment insurance is the smallest, and least controversial, of the three. Most attention and criticism has focused on health and retirement insurance.

The health reform of 1992 was essentially a big cost-cutting drive which curtailed so-called non-essential services, such as the famous spa health vacations, the Germans' favourite remedy for virtually any disease and a testimony to their fondness for alternative therapies.

Expensive drugs were also put on the blacklist where cheaper alternatives are available, as were a series of cheap but popular medications, such as hay fever cures and certain pain killers, which are now available over the counter.

The reform of the health care system may have been the only real and substantive reform of Germany's social security system that has ever been attempted.

It succeeded on its own terms. It cut costs and health contributions, added a degree of competition between the various insurance funds, and it eliminated at least some of systemic abuse. Most doctors, however, would add that it has led to a two-tier health system, one for those on the mandatory scheme and one for those who can afford supplementary private insurance.

The health systems may yet see further deregulation, but this is a subject of strong disagreement among the two coalition parties in Bonn. The



Gateway to a land of plenty: an entry point on Germany's border with Poland

FDP, the liberal party and junior partner in Chancellor Helmut Kohl's government, insists on further radical reform, especially supply-side deregulation to give doctors greater freedoms, including the free choice of location. If the FDP gets its way, Germany will be well on its way to a health system closely resembling that in the US.

Within the framework of Germany's social insurance system, the element that has proved most resistant to change is the country's retirement fund, a grandiose book-balancing act, as pensions are paid out of the contributions from those in work. It is a system based on a generational solidarity, where one generation pays for the previous generation, hoping to be rewarded by a pension financed by the successor generation.

In the past there have been many forecasters who predicted that the system would collapse because of Germany's low birth rates. Again and again, these predictions proved wrong. The contributions are higher now than they were 30 years ago, but the retirement insurance itself is not under threat for any foreseeable time (that is until the year 2010 on current calculations, beyond which forecasting would become hazardous).

The system also coped with German unification, absorbing a whole generation of pensioners and one of early retirees, and this without sufficient compensatory contributions from those in work.

Mr Norbert Blum, the labour and social security minister, is probably the strongest public defender of the retirement insurance system against regular and increasingly alarmist critics. He dismisses the notion that demography is a threat to the system, arguing that historically the income of the retirement insurance fund correlated much more closely with the growth in gross national product and the productivity of the economy, than with the number of contributors.

In a recent article in Handelsblatt, the German financial newspaper, he wrote "we must stop always counting heads. What matters for the future of our retirement system, and for the whole social system in general, is the productivity of our economy... If this isn't proof enough, one should look at countries in the third world where the population explodes and where the health provision is totally insufficient."

Mr Blum remains opposed to any attempts of fundamental structural reform, be it the shift to a basic pension - one

that is unrelated to the level of contributions - or a shift to a fully-funded scheme which he said would cost "trillions" of D-Marks, an amount that would overstretch the capital markets, and that one could not invest safely and profitably.

The system's capacity to survive has depended largely on its ability to plug perceived gaps. For example, early retirement schemes currently fund themselves partly through the insurance system. The government argues that early retirees have a higher life expectancy than normal retirees and should therefore receive lower pensions, lower even than their contribution level would justify. It is not inconceivable that the principle that pensions should match contributions could be interpreted much more loosely in the future than in the past.

A crack-down on pensions for early retirees would abruptly end Germany's early retirement boom - one of the factors that has kept the rate of unemployment significantly lower than it would otherwise have been, especially in east Germany. There is, of course, more leeway. The next funding shortfall could be filled by an extension of the retirement age from 65 years to 70.

The real danger to the sys-

tem is not so much the threat of bankruptcy of the system itself, but of the effects it has on the rest of the German economy, and the continuing backlash. If the high level of social security and wages resulted in lower competitiveness - not the imaginary crisis as preached from the bully pulpit of German industry but a real competitive shift - pressure for change will intensify.

Despite the noise surrounding this subject, Germany's competitiveness, like the retirement insurance system, has proved more resilient than the critics would acknowledge. German unemployment remains below the EU average and corporate profits are healthy, as are investments.

The other factor that could precipitate reform would be a sudden shift of expectations, especially among the younger generation of contributors, who may conclude that their contributions are disproportionate to their expected pensions.

If private pensions were to be regarded not only as safe, but also as more advantageous, political pressure could become intolerable. Judging from anecdotal evidence, young people in particular regard the retirement pension as a tax. The system is based on compulsion. It allows no opt-outs, except to the self-employed.

But despite these potential hazards, the odds must be that the system will survive, tottering from one reform patchwork to another. Its resilience is based not merely on its seemingly endless ability to pluck ever more holes, but also on the mind-boggling difficulties a transition to a new system would create.

It must be doubtful whether, if Germany had to reinvent its retirement system, it would opt for exactly the same system. But starting from here, it is difficult to imagine a transition that is both equitable and financeable.

The German constitution with its emphasis on inalienable property rights makes it virtually impossible to allow a change that would put any generation of contributors at a disadvantage - and any change would be costly.

PROFILE

Norbert Blum, labour and social affairs minister

Big spender's ordeal

Mr Norbert Blum is a politician with his back to the wall. PETER NORMAN writes.

True, the 60-year-old minister for labour and social affairs is the longest serving member of the cabinet of Chancellor Helmut Kohl, having held his present post since Germany's centre-right coalition first took office in October 1982.

He presides over the Bonn government's biggest ministerial budget - set at DM118.8bn or 26 per cent of planned federal outgoings for next year.

An impressive stump orator, "Nobby" Blum is also one of the few politicians in Germany to have a nickname and to generate genuine affection among voters. A recent poll found that 67 per cent "would like to see him play an important role in the future", giving him a higher rating in this respect than Chancellor Kohl.

But Mr Blum finds himself increasingly criticised in the media and elsewhere as an old style politician with an instinctive desire to spend money and distribute largesse. At a recent conference about Germany's industrial future, Mr Hans-Olaf Henkel, the president of the German Federation of Industry, told Mr Blum that he could not tell the difference between him and Mr Rudolf Dressler, the social policy expert of the opposition Social Democrats.

Such blunt talk is unusual in Germany. But the reasons are not hard to find. Germany's generous social security system may take care of the nation from cradle to grave. But it accounts for a third of gross domestic product and is increasingly perceived as creating barriers on the road to growth.

To some extent, Mr Blum's present plight reflects his longevity in office. Some of the policies he has advocated in the past are yielding bitter fruits today. One such is early retirement, a device that was used for many years as a way of keeping down

unemployment while creating demand in companies for young apprentices. Since the recession of 1993, firms have used early retirement increasingly to shed labour, putting the state unemployment insurance and pension schemes under heavy financial strain. One outcome



Norbert Blum: generous, stubborn and popular

will be an unpopular increase in individual pension fund contributions to 19.2 per cent of incomes next year from 18.6 per cent this year.

Mr Blum takes issue with those who say he is to blame for Germany's high social levies and is deeply sceptical of many of the remedies currently touted for trimming the welfare state.

He says many of the financial pressures on the

Blum's power base is on the left of Mr Kohl's CDU

social security system date from German unification and measures he has pushed through since 1992 to consolidate social security budgets yielded savings of about DM60bn last year. The share of social expenditures in western German GDP fell to 30.2 per cent in 1994 from 30.7 per cent in 1989, he says.

It is the high cost of social security in eastern Germany, which had to be subsidised by western employers and employees as well as the Federal budget, that has pushed pan-German social

costs up to a third of national output.

However, it is likely that Mr Blum would have a more sympathetic hearing if he had not ruffled many feathers over the years. He has been an extremely active minister and never afraid to push ahead with a pet scheme, irrespective of the opposition that it incurs. A case in point is his plan to prevent foreign contractors paying low wages to non-German workers employed on German building sites, which he pushed through cabinet against the opposition of Mr Guntar Reszold, the economics minister. The plan has since been disowned by the main employers' federation and may be unworkable. But this has not prevented Mr Blum from continuing to back it.

Undoubtedly, such stubbornness adds to his popular appeal. He is a self-made man, who left school aged 14 to work as an apprentice machine maker at the Adam Opel motor works near Frankfurt. In the 1930s he studied at night school for the qualifications that would give him a university education. By 1967 he had obtained his doctorate.

Mr Blum is married with three children. Trade unions and the Catholic church have played an important part in his life. He joined the IG Metall union and the Catholic workers' organisation in 1950, the year in which he became a member of the Christian Democratic party. By the late 1960s, he was making his mark on the left, labour wing of the CDU.

Mr Blum's power base is still on the left of the party and it is here that he is of most use to Chancellor Kohl. In June, for the first time in six years, Mr Kohl attended a delegates' conference of the Christian Democrat workers' movement. It was a clear signal that the party's left wing still counts. With the Social Democratic party in disarray, Mr Blum, and all he stands for, are too important to be pushed completely to one side.

MANNESMANN
DEMAG

...We understand metal

Integrated plant engineering
Melting and casting technology
Rolling mill technology
Tube and pipe manufacturing technology
Forging technology
Powder metallurgy

mannesmann technology

Mannesmann Demag Hüttentechnik

Postfach 10 15 07, D-47015 Duisburg; Phone (2 03) 6 05-1; Fax (2 03) 6 05 25-77

BADEN-WÜRTTEMBERG

Where bright ideas grow brighter.

In Baden-Württemberg we appreciate the value of bright ideas. Bright ideas are the blueprint for a bright future. But to grow and to flourish they need the right kind of environment. It's exactly this kind of environment your innovative business will find in Baden-Württemberg, Southern Germany, the state of Baden-Württemberg. It's a state of mind.

Wirtschaftsministerium Baden-Württemberg, Theodor-Heuss-Strasse 4, D-70174 Stuttgart, Germany. Phone (+49-711) 123-2488, Fax (+49-711) 123-2488.

MINISTRY OF ECONOMIC AFFAIRS

PROFILE Jürgen Stark

Mr Kohl's trusty sherpa

Jürgen Stark is a man with a lot on his plate. At the start of this year, the 47-year-old official took over one of the toughest jobs in the German government, that of state secretary in the Bonn finance ministry.

He is, in effect, the ministry's foreign minister. But his responsibilities do not stop there. A heavy domestic agenda puts him in charge of preparing the government's privatisations, taking responsibility for the customs service, dealing with money and credit policy, and keeping an eye on the supervisors of Germany's banking and insurance industries.

This year, he also became chancellor Helmut Kohl's "sherpa", and so one of the senior officials that prepare the annual Group of Seven economic summits. Wearing another hat as "G7 deputy", he is responsible for high level co-operation with finance ministries of the US, Japan, France, UK, Italy and Canada.

Stark also belongs to the European Union's secretive monetary committee, which oversees the workings of the European exchange rate mechanism, and is Germany's chief negotiator on the EU budget.

Stark's promotion to state secretary followed the surprise departure of Gert Heller to head the Wüstenrot housing finance bank. As Heller was the second person to leave the key finance ministry post in two years, Stark has promised Mr Theo Waigel, finance minister, that he will stay in his present post as long as Waigel wishes.

Stark did not initially plan the career that would turn him into Germany's financial eminence grise.

After completing military service in 1968, he studied economics at the universities of Hohenheim and Tübingen and then held a junior academic post in Hohenheim for five years.

He is deliberately self-effacing, but with a glint of steel in his eyes. He could still pass for a professor and he would have stayed happily in academe. But attractive

Two previous holders of his office rose to become president of the Bundesbank

posts were few and far between in the late 1970s. He therefore decided to enter government service, joining the Bonn economics ministry in 1978.

Stark's career moved up a gear in 1988 when he moved to the federal chancellery, the power centre of government in Bonn.

There he became the official responsible for international monetary and financial affairs in 1991.

By October 1992, he had moved to the finance ministry where he was initially in charge of the department dealing with capital market issues, government borrowing and the drive to enhance Germany's standing as a financial centre.

In August 1993, during the crisis surrounding the French franc in the ERM, he took over the finance ministry department responsible for international monetary and financial affairs as well as Germany's financial relations with the EU.

It has done his career no harm that he hails from Rhineland Palatinate, chancellor Kohl's home state. He is clearly at ease with the chancellor.

At press conferences, when he has shared a platform



Jürgen Stark preparing to fight over Germany's EU payments

with Kohl, he has shown none of the nervousness displayed by some officials.

In the chancellery, Stark established a reputation for competence and loyalty. He helped prepare five G7 summits between 1988 and 1992, gaining valuable insights for his role as German sherpa for this year's G7 summit in Halifax, Nova Scotia.

He is the senior official supporting Mr Waigel in the twice yearly meetings of the policy making Interim Committee of the International Monetary Fund.

Such roles are influential, but rarely grab the headlines. In EU affairs, however, Stark has achieved some notoriety. Shortly after becoming the finance ministry's top external official, he made waves in the EU monetary committee by proposing that the European Bank for Reconstruction and Development, the international institution set up to help former communist countries become market economies, should move its headquarters from London to Bonn.

The suggestion, which was made in response to EBRD complaints about its high costs, was seen by some committee members as an example of his dry sense of humour.

That was true to a point. But it also betrayed a determination to fight hard for Germany's interests.

This determination will be tested to the full in the years ahead as he takes the lead in battling for a reduction in Germany's contribution to the EU budget.

Germany is by far the biggest net contributor to the EU budget, currently meeting over 70 per cent of outgoings. While annual federal government spending is set to increase by only 1.1 per cent between this year and 1999, Germany's contributions to the EU budget are scheduled to jump by nearly a third.

The EU budget is an issue that raises the hackles of government officials in Bonn, almost as much as it did those of Mrs (now Lady) Thatcher in the early 1980s, when she demanded "my money back" for Britain.

The Bonn finance ministry has made clear that, in the review of EU finances that will take place before 1999, it will seek a new system of contributions that shares the burden more fairly.

The EU budget issue will be Stark's big opportunity to make his mark. And if he succeeds, what then?

The state secretary's office in the finance ministry has traditionally been a spring board to still higher office. In the past 20 years, two of Stark's predecessors - Karl-Otto Pöhl and Hans Tietmeyer - went on to become Bundesbank presidents, while one state secretary, Manfred Lahnstein, became Bonn finance minister.

Peter Norman

POLITICS: by Peter Norman

Ideologies on the wane

While Mr Kohl is riding high the SDP opposition is in deep despair

One year on after the German general election of 1994, chancellor Helmut Kohl is the unchallenged master of German politics.

Recent national opinion polls have given his alliance of Christian Democratic and Christian Social parties 47 per cent of the vote, putting them in a commanding 19 points lead over the Social Democratic party, which has been registering its lowest popularity ratings since the SPD's re-establishment 50 years ago after the years of Nazi tyranny and the second world war.

In recent months, the environmentalist Bündnis 90/Green party has posed the only effective opposition to the government in Bonn, although its poll ratings of around 13 per cent mean that for the time being it will depend on participating in coalitions at state and municipal level for a taste of power.

The Free Democrat junior members of the centre-right coalition in Bonn risk total eclipse as a serious force in German politics unless they can be sure of winning more

than 5 per cent of the vote in a trio of vital Land elections to be held on March 24 next year. At national level, the performance of the former Communist Party of Democratic Socialism has been still less impressive: its poll ratings have been about 4 per cent.

A year ago, chancellor Kohl's dominance of the domestic political scene seemed anything but inevitable. The CDU/CSU parties garnered just 41.5 per cent of the votes cast in the general election. With the FDP, which won 6.9 per cent, the ruling centre-right coalition scraped back into power with a majority in the Bundestag, or lower house of Parliament, of just 10 seats. In the Bundesrat, the upper house which represents Germany's 16 federal states, Social Democrat-led governments have a majority.

Cassandras predicted stalemate between the two branches of the legislature and the collapse of the government following defections from its ranks.

Instead it is the SPD that has plumbed the depths of despair. Early this month, only 15 per cent of voters said they thought Mr Rudolf Scharping, the SPD leader, would make a good chancellor, a dramatic shrinkage of support from the

36.4 per cent who voted for him at the last general election.

The precipitate decline of the party of Willy Brandt and Helmut Schmidt has kept the German political class in thrall for the past 12 months. In the normally quiet summer months, the SPD was riven by a feud between Mr Scharping and Mr Gerhard Schröder, the prime minister of Lower Saxony and a long standing rival, over who should be the party's candidate for chancellor in the next general elections in 1998.

Policy differences have smouldered behind the personal clash. Mr Schröder is more pro-business than Mr Scharping. He believes the party must embrace ideas of economic flexibility if Germany is to prosper in an age of globalisation and overcome the handicap of having the highest labour costs in the world. Mr Scharping talks of the need for a modern economy but is equally determined that this should not be at the cost of "social peace".

The party has been divided over other issues ranging from Germany's role in Bosnia to whether or not to build the Eurofighter aircraft. Differences over political strategy, with Mr Schröder's allies prepared to contemplate a alli-

ances with the Greens, have contributed to the picture of a party in disarray.

The SPD leader's performance in parliament has come under critical scrutiny since a disappointing speech in last month's Bundestag debate on the 1996 budget. He has been accused of lacking political and tactical skills. He spent a lot of political capital supporting an unpopular plan to increase MPs' salaries by about 50 per cent by the end of the century only for it run into trouble with SPD leaders in the Bundestag. Mr Scharping's lack of charisma and wooden performances at public meetings and on television compare unfavourably with the apparent dynamism of Mr Schröder and the comforting solidity of chancellor Kohl.

Mr Scharping's handling of the gathering crisis could have been better. He dismissed Mr Schröder as the party's chief economic spokesman at the end of August. But the move, instead of instilling solidarity and discipline in the SPD ranks, was followed by a series of high level resignations from the party's leadership in parliament. The problems in the party were highlighted at the end of September by the departure of Mr Günter Verheugen



Unequal match: Mr Kohl takes a call while Rudolf Scharping, leader of the SPD, addresses parliament

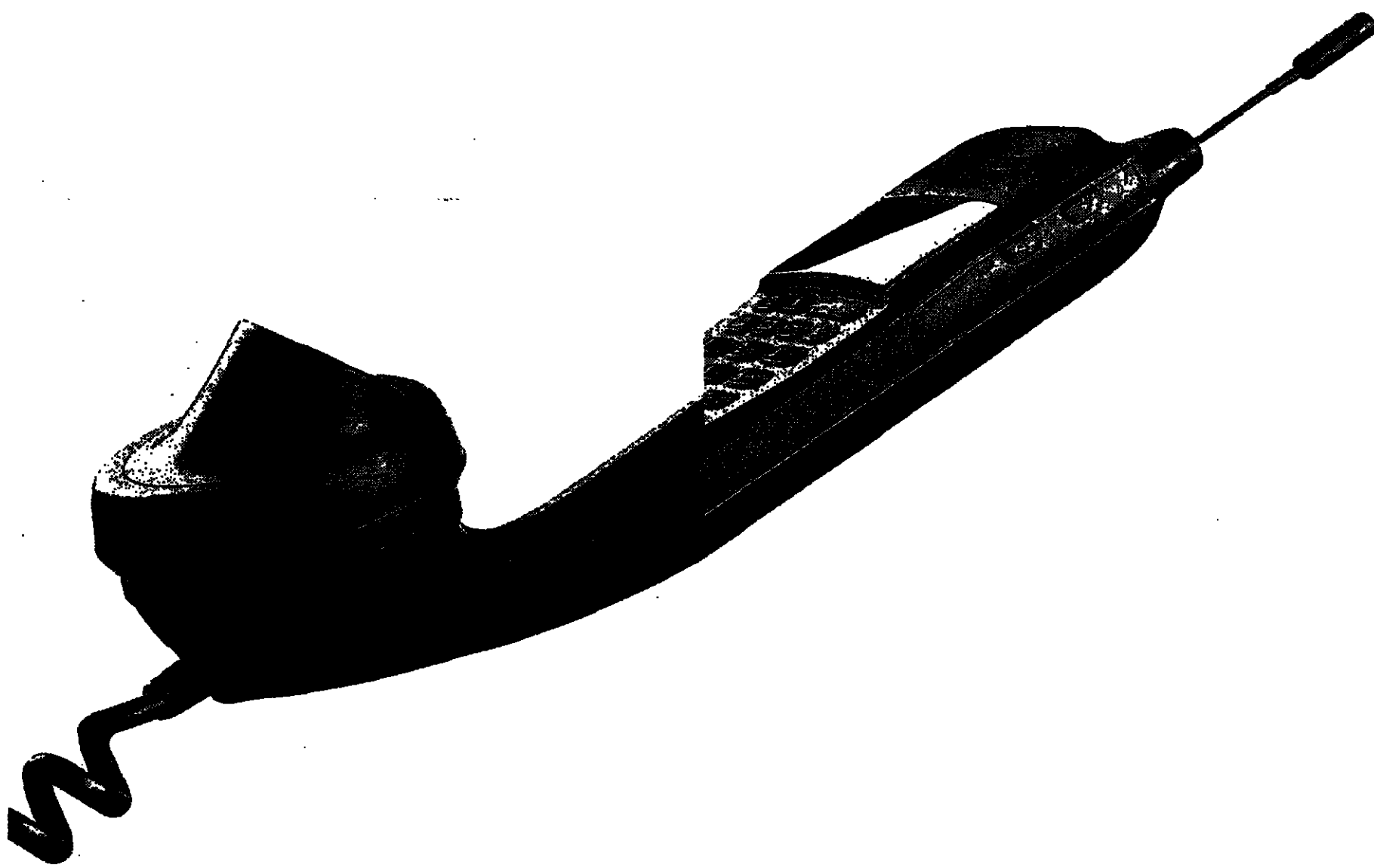
principal parties set up after the second world war. But Mr Kohl's CDU and its Bavarian sister party, the CSU, have made a far better job of adapting to this change than the SPD. While the SPD has been tearing itself apart this year, the CDU has, for example, been carrying forward a programme of internal reform to make itself responsive to ideas generated among activists in their local party organisations.

Mr Hans-Jürgen Hoffmann, chief political researcher at the Bonn-based Infas public opinion polling company, points out that the greater pluralism in German politics, which over the past two decades has produced a number of smaller parties, poses challenges for both big parties. Though Mr Kohl may be riding high in the polls at present, support over the long term has ebbed for the CDU/CSU as well as for the SPD. Long gone are the days when the two main blocks could win 90 per cent of the vote in a general election.

If Mr Kohl has any worry at present, however, it will be that the troubles of the SPD and his own party's popularity are peaking too soon in the four year life of parliament. For with a legislative programme that is worthy rather than gripping and growing concern about unemployment, three years to the next general election is a long time for the government to sustain current levels of support.

More politics on pp 8 and 10

30 years of managing change



30 years in Germany

J.P. Morgan first opened its Frankfurt office in 1965. In the years since, industries and financial markets, in Germany and around the world, have grown and evolved out of all recognition. The challenge for us and our clients has been, and remains, to anticipate change and manage it successfully.

Yet even as we welcome change, we place the highest importance on doing a few things the same way, day after day, year after year: ■ Putting our clients' interests first in order to build long-term and trusted relationships. ■ Thinking and acting globally and drawing upon the resources of our worldwide network to provide our clients in Germany and every other country with the most innovative, effective solutions to complex financial needs. ■ Preserving the reputation we have earned for integrity and fair dealing.

For sound, objective and analytical advice about your German business or your business in Germany, please call:

Peter Schwicht - Global Markets (+49-69-7124-1497),
Werner Pfaffenberger - Investment Banking (+49-69-7124-1461), and
Günther Skrzypek - Investment Management (+49-69-7124-1107).

JPMorgan

The INTERNATIONAL BACCALAUREATE at a BOARDING SCHOOL

Tomorrow's diploma is international qualifies for universities throughout the world Salem offers both: German Abitur and the IB

English is our language of IB instruction

Schule Schloss Salem

co-educational boarding school

Please send me your Salem IB information pack

Name _____

Address _____

Send or fax to: Schule Schloss Salem D-68682 Salem, Germany, Fax 49-7553-81380

8 GERMANY

■ THE FREE DEMOCRATS: by Judy Dempsey

The centre may not hold

After decades as a junior Bonn coalition partner, the centrist FDP is in deep crisis

Germany's liberal Free Democrats (FDP) know that the elections in the state of Schleswig-Holstein, Baden-Württemberg and Rheinland-Pfalz, which are due early next year, could either revive the party's fortunes or send the clearest ever signal that the FDP is no longer relevant.

Over the past 18 months, the FDP has suffered a string of electoral defeats. It lost 11 state elections and it failed to get re-elected to the European Parliament.

In a bid to seek explanations for these defeats, FDP officials now argue that during the 1970s and 1980s they relied too much on the personality of Mr Hans-Dietrich Genscher, the former foreign minister.

Mr Genscher was skilful at exploiting the party's role as king-maker in German politics. For many years, the FDP provided the crucial support for both main blocks – the Christian Democrats/Christian Social Union or the Social Democrats – to form stable coalition governments. It also helped to prevent a polarisation of German politics.

But perhaps Mr Genscher went one step too far in 1982 when he pulled the FDP out of the Social Democratic coalition, a move which precipitated a general election. Chancellor Helmut Kohl's Christian Democrats were returned to office, with the support of the FDP.

Today, Mr Kohl enjoys only a 10-seat majority at a time when the FDP's electoral support continues to wane.

By pulling the FDP out of the SPD coalition, Mr Genscher alienated the more traditional wing of the FDP, a wing which was, and remains, committed to civil liberties and more rights for the 6m foreigners who have no vote, except in local elections.

But more importantly, there was a perception among FDP voters that because the party could change sides so easily, and since 1982 has been in



Quick change: foreign minister Klaus Kinkel (l) with Gerhard Westerwelle (r) who replaced him as FDP chairman

coalition with the CDU, that they were prepared to compromise their policies to remain in power. "Because of this, the FDP has an identity problem," said Ms Cornelia Schmalz-Jacobson, a member of the FDP's federal council.

Mr Klaus Kinkel, who succeeded Mr Genscher as foreign minister in 1992 and leader of the FDP in 1993, did little to give the party a fresh start. He was too beholden to Mr Genscher, who had personally chosen him as his successor, and too inexperienced as a politician – he joined the FDP only

Voters will soon show how much they need the liberal FDP

in 1992. The question is whether Mr Wolfgang Gerhardt, elected last June to succeed Mr Kinkel, will stem the electoral decline.

Mr Gerhardt, head of the FDP in the state of Hesse, one of the few states in which the FDP was returned to the state parliament after elections last March, knows the party inside out. He also knows the challenges it faces. "We have to get across the party's point of view," he said recently. "This means having a certain distance from the Christian Democrats. I am in a position to do this because I am not in government (unlike Mr Kinkel)," he added.

But distance from the government in a bid to sharpen

the party's identity may not be enough. Mr Gerhardt, who often appears a worthy, but dull politician, has taken over the helm of the party at a time when the environmentalist Bündnis 90/Green alliance is forging ahead in the opinion polls, often reaching 15 per cent.

"We know that some of our traditional voters are drifting to the Greens," said Mr Gerhardt, admitting that the Greens will receive more credibility as a party fit to govern on the federal level if they can successfully govern in coalition with the Social Democrats in the state of North-Rhine Westphalia, Germany's most populous state. There, the SPD was forced to form a coalition with the Greens last May after it had lost its absolute majority.

But even if some FDP voters are defecting to the Greens, one might have expected the FDP to be in a position to exploit the weaknesses of the SPD. Under Mr Rudolf Scharping, the SPD has plummeted in the opinion polls as voters believe he is an ineffective leader of the opposition, has failed to modernise the party particularly since the Cold War is over, and is seen incapable of leading the SPD to victory in the federal elections due in 1998.

Curiously, the FDP has made little inroads in this direction. If anything, SPD voters are drifting to the Greens. The SPD and the FDP are being squeezed by the Greens.

This extraordinary development suggests that the malaise

in the FDP – and the SPD – is more than a leadership problem. "Whether we like it or not, German reunification is changing the political climate in Germany," a FDP senior official said. "And I am not so sure if we recognise this," he added.

The end of the cold war and unification has made Mr Kohl's governing Christian Democrats less ideological; the communist threat is over.

At the same time, Mr Kohl has skilfully managed to co-opt some of the Green's policies, for instance more commitment to environmental issues. He has also managed to weaken the FDP's agenda, for instance by cutting – albeit with the prompting of the constitutional court – subsidies for the uncompetitive coal industry.

This has led to a bizarre situation where the Greens have increasingly become the party for more radical libertarian policies, the CDU is becoming more pragmatic in its economic policies necessitated by the soaring costs of German reunification, and the FDP is searching for its identity.

"There is a competition between the FDP and the Greens [for voters and ideas]," said Mr Gerhardt. "But at the end of the day, and I repeat this, Germany needs a liberal party to act as check, whether it be on the Christian Democrats or any possible SPD/Green coalition," said Mr Gerhardt. "We cannot allow a polarisation of politics." The coming months will reveal just how much the voters need the FDP as the liberal party.

■ THE GREEN PARTY: by Judy Dempsey

Colourful resurgence

The born-again Greens now stand for a lot more than the pure milk of environmentalism

Ever since Germany's environmentalist Greens were founded 28 years ago, the established political parties have repeatedly said they were a passing phenomenon; that their fundamentalist philosophy, rooted in local grass roots politics, pacifism, a rotating leadership and a deep antipathy towards the Nato alliance would find no long-term place in German politics. The Greens, in short, would disappear.

That nearly happened. After the December 1990 federal elections, they failed to jump the five per cent hurdle required to enter the Bundestag, or parliamentary lower house. It was only because of special circumstances in the first elections after German reunification, in which east German voters were not counted together with west Germany's, that environmentalists were represented in the Bundestag. Eight east Germans were elected. The sceptics were ready to write off the Greens as a force to be reckoned with.

Mr Joschka Fischer, the current parliamentary head of the Greens, used the 1990 electoral defeat as an opportunity to modernise the party. The fundamentalists, or "Fundis", were marginalised in 1991, paving the way for the takeover by the pragmatists or "Realos".

By October 1994, the Greens, which the previous year had merged with Bündnis 90, a loose alliance of east German civil rights movements thrown up during the anti-communist movement in late 1988, stunned their critics. Not only were they returned to the Bundestag with 49 deputies. They had become the third largest party, after the liberal Free Democrats.

Since then, the Greens have gone from strength to strength. They are in coalition with the Social Democrats in the eastern state of Saxony-Anhalt and in North-Rhine Westphalia, Germany's most populous state. Opinion poll after opinion



Joschka Fischer, Green MP's leader: arousing strong feelings

poll gives the Greens 15 per cent of the vote. There are even suggestions that if the Greens can maintain this momentum they could possibly be a junior coalition partner after the 1998 federal elections. But that is some time off. And more importantly, the future of the Greens may well depend on what happens to the Social Democrats (SPD) and the Free Democrats (FDP).

The Greens have reached this status for several reasons. First, the pragmatists believed in 1991 that the time had come for the Greens to play a greater role on the federal level.

"We started on the grass-roots level, as an environmentalist party committed to green issues and civil rights and opposed to nuclear power," said Ms Anna Nilles, spokesperson for the Greens. "We believed that it was time to translate these issues on to the federal level in a coherent way. I think our voters expected us to move forward, otherwise we risked becoming irrelevant or at best, remaining a fringe party," she added.

The other reason is that the 1988 generation, which forms the basis of the Greens, are now successful middle-class professionals, many of them teachers, doctors, self-employed and running small Mittelstand enterprises. Surprisingly, they have not defected to the FDP, their natural constituency. Instead, they have stayed with the Greens and have helped to shape the party's economic and foreign policy.

For instance, while the

ent pragmatic course, they may run the risk of alienating the traditional, radical and idealist wing of the party which still enjoys wide support at the grassroots. Last May's elections in North-Rhine Westphalia suggests, for the moment, that the Greens can hold on to this support.

More importantly, the real strength of the Greens might only be properly tested if and when the SPD and the FDP get leadership which are charismatic and dynamic, qualities which the Greens today enjoy over both of these parties.

Green politicians admit that they benefit from weaknesses of the SPD's and FDP's policies and leadership and that these weaknesses have allowed Mr Fischer to move quickly to win disillusioned voters from both parties.

The Greens, for example, have increasingly taken over the civil rights agenda, once the plank of the FDP. They have even beaten the SPD to the line in terms of foreign policy, especially over Bosnia. Indeed, the Greens' policies have not been ignored by the CDU.

In recent months, the CDU has become more "green", aware that it has to appeal to a more prosperous younger generation of voters. And in spite of Mr Kohl's repeated criticism of the Greens' policies, he no longer balks at the idea of CDU/Green coalitions at local level, recognising perhaps that the Greens are a force to be reckoned with.

It is still too early to say if there is long-term room in the German political system for the Greens. Mr Fischer is the first to admit that the established parties have co-opted Green policies. "That can cut both ways," he said recently. "The parties can chisel away at our agenda and adopt some of our policies which means we have been successful in making them change. Look at how many jobs the recycling industry has created. On the other hand, it also shows that we have to keep up the pressure, that there is support for our policies, and that our voters expect us to keep pushing them higher up on the agenda and act as a forceful opposition."

The point about these changes is that the Greens want to broaden their electoral appeal, show that it is responsible enough to share power on the state, and possibly the federal level, and want to establish themselves as the country's third largest party, in effect becoming the new king-maker, a role traditionally held by the FDP.

The Greens, however, may find themselves in a dilemma. If they continue along the pres-

Energy Chemicals Packaging Logistics VIAG

We concentrate on the essentials. VIAG.

VIAG is a group of companies engaged in four core areas: Energy, Chemicals, Packaging and Logistics. With sales of approx. DM 40 billion and some 90,000 employees, VIAG is one of Germany's largest industrial corporations.

VIAG's strength lies in the Group's balanced structure. In addition to the stable Energy Division, the Group is also engaged in the business areas of Chemicals and Packaging, which although cyclical, mean high earnings potential. The internationally oriented Logistics Division offers longterm growth

opportunities. All in all, a portfolio that is well matched and which will reliably contain cyclical fluctuations.

For information, please write to
VIAG Aktiengesellschaft
Nymphenburger Strasse 37
D-80335 Munich
Telephone 49-89-12 54-44 89

Energy
Chemicals
Packaging
Logistics

VIAG
Aktiengesellschaft

Business Location Darmstadt

"Center of High-Technology"

Darmstadt provides a home to more high-tech companies and research institutions than almost any other city in Germany. A 1993 study conducted by the Fraunhofer Institute for Systems Technology and Innovation Research (ISI) in Karlsruhe classifies Darmstadt as the research centre of the Rhine-Main region, with special strengths in the fields of information and communications technology, power engineering and new materials.

As a "technology city" Darmstadt has a great deal going for it. The Technical University has a history going back over 100 years, and now has twenty-one faculties, the majority of them in engineering and science fields.

Darmstadt also boasts a whole series of other research institutions with excellent international reputations, including the European Space Agency Operations Centre (ESOC), the European organisation for the exploitation of meteorological satellites (EUMETSAT), the Society for Heavy Ion Research (GSI), the Centre for Graphical Data Processing (ZGDV), together with the Fraunhofer Institute for Graphical Data Processing and other world wide known institutions. In this environment of high-grade mathematics, engineering and computer sciences, and with the added advantages of nearby Frankfurt international airport and the great pool of industrial diversity in

the Rhine-Main region, Darmstadt has become a major software centre. In their May 1989 edition the business publication Industrie-Magazin called the city the country's "secret software capital" and the "Mecca of Germany's top programmers". The pioneer of this development was Software AG, now one of the leading producers of systems software worldwide.

Science and research have a strong technological orientation here, and this is also true of the city's industry. Darmstadt's biggest employer is the major pharmaceuticals and chemicals company Merck, which operates its main R&D centre here with a staff of around 8,000. Other renowned high-tech firms to be found here include Schenck (scales and balances), Honinger-Baldwin (data acquisition and control), Röhm (pharmaceuticals and plexiglass), Goebel (special printing machines) and many others, including "spin-offs" of the Technical University such as Ima (sensors and robotics) and Brain (biotechnology).

The rapid structural transformation of the world economy and the growing importance of high technology in research, services and manufacturing has made Darmstadt a very attractive business location. Today, the city provides nearly as many jobs (113,000) as the number of its residents.

(137,000). This contributes much to making the administrative district of Darmstadt "Europe's most dynamic economic region", as it was called in a 1987 study by the EC Commission. Structural transformation has also made more premises available for reactivation, thus reducing the scarcity of industrial real estate, which was formerly the main limiting factor. The Deutsche Werkbund organisation has also recognised the city's industrial and urban development potential, and their Darmstadt-based "Laboratory of

S
Sparkasse Darmstadt
Die Leistikosten
Unternehmen der Finanzgruppe

Civilisation" has started an ambitious development programme titled "City West 2001".

For more information, please contact:

Darmstadt Industrial
Development Board
Mr. Werner Vauth
Luisenplatz 5
D-64283 Darmstadt, Germany
Tel.: +49 (0) 6151 13-20 44/45
Fax: +49 (0) 6151 13-20 24

EUMETSAT

From 1st December 1995, EUMETSAT, the European organisation for the exploitation of meteorological satellites, will operate Meteosat weather satellites from a purpose-built control centre in Darmstadt, Germany. The centre is one of the most technically advanced in the world and will ensure that Europe's weather forecasters receive timely weather data from space helping to ensure accurate predictions for the safety and comfort of everyone.

For further information about EUMETSAT or its meteorological satellite programmes, please contact:

The Director
EUMETSAT
Am Kavalleriesand 31
D-64295 Darmstadt
Germany

Tel.: +49 (0) 6151 807-7
Fax: +49 (0) 6151 807555



Meteosat provides full earth disc images.

Die Beiträge sind koordiniert von der Marketing-Kommunikations-Gruppe der DIAL GmbH, 65239 Hochheim, Tel. 061 46-30 99, Fax 061 46-32 74.

INDUSTRIAL RESEARCH AND DEVELOPMENT: by Andrew Fisher

Self-confidence is shaken

Europe's leading industrial power is aware of its shortcomings in innovation

Is Germany going through an innovation crisis which threatens future employment and growth? Or are those who say so protesting too much in one of the world's most highly developed and successful industrial countries?

There is plenty of talk of crisis. Also criticised is the lack of a supportive business, financial and political environment for new ideas and dynamic entrepreneurs. The Cassandras include scientists, industrialists and economists. Opinion polls show their views have permeated through to the public who are concerned about waning competitiveness and the threat from south-east Asia.

Those tending towards Angst have much evidence in their support, especially in the form of stagnant research and development spending, a weak

showing in the world patents league and a relatively low export share in high-technology sectors. But so do those who argue that Germany has not lost its innovative spirit, although it lags well behind in some high-technology sectors.

Certainly, talk of a crisis seems to be overdone. Germany's big companies are world leaders in their fields and are renowned for the quality, technological content and reliability of their products.

The myriad Mittelstand (medium-sized) businesses also contain supreme examples of innovative market leadership. But Germany lacks a strong presence in technologies shaping the future such as microelectronics and biotechnology. Surprisingly, in a country which exports such a high and varied volume of products, new technologies often tend to be regarded with suspicion - either as "job killers" or as environmentally suspect.

Small companies in these areas often find it hard to get started and then stay alive. Venture capital is woefully under-developed in Germany

and much of the thrust in risk financing comes from abroad. Small concerns in the medical technology, genetic engineering and software sectors often have to leave Germany, mainly for the US, to obtain adequate finance.

This partly reflects an aversion to risk among German investors and the lack of a stock market which adequately serves both big companies and those still in their youth. Moreover, among Germany's large quoted companies, only one - SAP, the business software producer - is wholly in a new technology area. Other longer established companies apply modern technology extensively, but have their roots in traditional engineering, motor and chemical and other sectors.

On some measures, Germany is definitely behind its main competitors in the technology league table. Mr Hartmut Wende, head of research and development at Daimler-Benz, the vehicle, aerospace and electronics company, talks of an acute "lack of agility", as shown by patent statistics in

which Germany lags Japan and the US in high technology. "With increasing prosperity," he adds, "saturation and complacency prevents profitable exploitation of companies' potential for innovation." He sees this mainly as a communication problem, with the development side having insufficient contact with marketing and manufacturing.

But this is not just true of Germany. In other European countries such as the UK, the lack of innovation is also bemoaned. Ideas for new products, processes and services are not easily translated into reality, whether through corporate inertia and ignorance, bureaucracy or lack of capital.

Nor is innovation a smooth process. Examples of bright ideas that have been conceived in one country and been made successful in another - notably in Japan or the US - are legion. The Austrian economist Joseph Schumpeter is often quoted in support of the need for innovation to stimulate economic growth. But he also wrote of "the perennial gale of creative destruction".



German chemicals worker: the race gets tougher

Thus innovation has winners and losers. Not surprisingly in a country with high living standards, Germany wants to hang on to its winners and avoid nurturing losers. But winners can turn into losers. Germany's banks often bail out

companies that fall into trouble, but there are fewer mechanisms for bringing along new ventures which could help give the economy a new impetus. Biotechnology is a prime example. Despite its worldwide prominence in chemicals and

pharmaceuticals, Germany is an also-ran in biotechnology. Because of strong opposition to genetic engineering, seen as tampering with nature, 75 per cent of investments by German companies in biotechnology take place abroad. "Sites near well-known universities in the US have an especially magical attraction for German companies," writes economist Mr Jürgen Stehen in an article for the Kiel economics institute.

Germany's genetics law has been changed to remove some obstructions to research and development. Strong regional efforts are also being made to encourage biotechnology. Bavaria is particularly active, with a new programme to promote links between research facilities and fledgling biotech firms and to help with risk finance.

As the world's big chemical and pharmaceutical companies buy in more research from outside, small biotech companies have a promising future. Bavaria hopes to capitalise on this by assisting small businesses in this and other high-tech sectors at an early stage and later reaping the economic benefits.

As Mr Wende's comments show, big German concerns are aware of the need, and difficulty, of maintaining the innovative spirit in a large-scale and often unwieldy organisation.

Siemens has begun an "innovation initiative" to speed the implementation of new ideas. "Only continued innovation can secure market shares and create new markets," says Mr Walter Küneth, a director of the electrical and electronics company.

A hopeful note on Germany's capacity for innovation is sounded by the DIW economics institute in Berlin. German industry is highly specialised and service-minded, with extensive application of new technologies in production. It says in a recent report. True, the share of high-tech products in its manufacturing exports is low compared with its main competitors, with west Germany at 19 per cent against 36 per cent in the US and 34 per cent in Japan. But its high-tech share in value-added output is a more encouraging 21 per cent against 24 per cent in the US and 22 per cent in Japan.

DIW says Germany has successfully established a strong position in the high price segments of its export markets, a reflection of its highly trained workforce and use of technology. But it warned that education and research needed to be given more emphasis. "Deficits in these areas only become apparent much later, but are then more deep-rooted."

MEYER WERFT SHIPBUILDERS: by Michael Lindemann

The yard that built P&O's flagship

How the cradle of the Oriana has succeeded in holding its own for two centuries

Get off the train at Papenburg and you could be forgiven for thinking you had arrived at the end of the world. One other passenger alights from the train heading north and the station has long since closed for the day.

The sleepy town on the river Ems, tucked away in the north-western corner of Germany just 18km from the Dutch border, is an unlikely site for a showdown between British and German industrial prowess.

Yet that is precisely what happened earlier this year when the Meyer Werft, the shipyard which is the region's principal employer, launched

the pride of the British passenger cruise industry, the liner Oriana, a £200m ship which Britain could no longer build because there are no shipyards with the necessary resources.

When the Oriana was launched in March the British press was full of innuendoes about a German yard which once converted trawlers for Hitler's navy.

Much more than that, however, the Oriana launch symbolises the remarkable success of this small family-owned shipyard which has for 200 years succeeded in holding its own against fierce international competition.

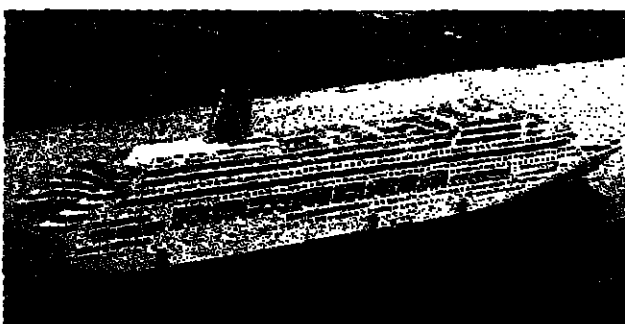
Constant innovation, an emphasis on high technology and a small and tightly knit management has made the Meyer Werft a legend among the Mittelstand, the thousands of smaller family-owned com-

panies which are the backbone of German industry.

Shipbuilding began in Papenburg in 1614 but Meyer is the only yard left of the dozens which once dotted the river bank. It celebrated its bicentenary earlier this year, an event important enough to lure Chancellor Helmut Kohl to the chilly lowlands of Friesland.

The yard's survival would seem to have something to do with its ability to stay ahead of other shipbuilders. At the end of the last century, Mr Joseph Lambert Meyer, great-grandfather of the present managing director, became the first of the Ems shipmakers to turn from wood to steel, an innovation which his rivals ridiculed.

Then nine years ago the yard once again marked what has since become a landmark shift in the shipbuilding industry by erecting the first covered ship-



Oriana, 69,153 tonnes, heads for the North Sea

yard, a 370m long hall in which even the 69,153 tonne Oriana could be completed.

Meyer's covered yard has seen productivity soar as welders and technicians no longer have to battle the region's dismal weather. The innovation has been so successful that three eastern German shipyards are set to receive them -

funded by government money, much to the chagrin of Mr Bernard Meyer, the yard's present managing partner who also owns the company with his father.

Technological innovations aside, the yard has also been very fortunate over the past decade during which it has built 16 passenger ferries for

the Indonesian government.

When a second-hand ferry sank in 1981 the Indonesian government decided to construct a safer, purpose-built fleet and Meyer won the contract, helped by its reputation and the close political ties between Germany and Indonesia. The Indonesians are, admits Mr Meyer, "one of our most important clients" and he is hoping he can persuade the Philippines to make a similar investment.

But the Indonesians are beginning to build the ferries themselves and the contracts are not likely to be endless. How then does the Meyer Werft intend to survive against competitors such as Fincantieri, the leading Italian yard which is state-owned, and Chantiers de l'Atlantique, the much larger French yard?

Listing some of the company's shares to raise capital is a move which has repeatedly been considered but just as regularly rejected because of fears that it might destroy the tightly-knit yard where a team of five make all the decisions

free of outside influences.

"We have a very individual way," Mr Meyer says, sitting in an office overlooking the yard. "That's the way we became strong."

At the moment the yard has enough work to last it until early 1997.

Most forecasts, ranging from the Association of Western European Shipbuilders to the OECD, are optimistic. Mr Meyer says. Global trade is rising, spurring the demand for container ships, and the world's oil tanker fleet, much of which was built in the early 1970s, needs replacing.

But Mr Meyer fears the shipbuilding boom may be short-lived. The supply of ships is rising dramatically as the Chinese, Russians and Ukrainians come on to the market.

Yards once used to build naval vessels are being converted to civilian purposes the world over and that is bound to make life more difficult for the Papenburg shipbuilders.

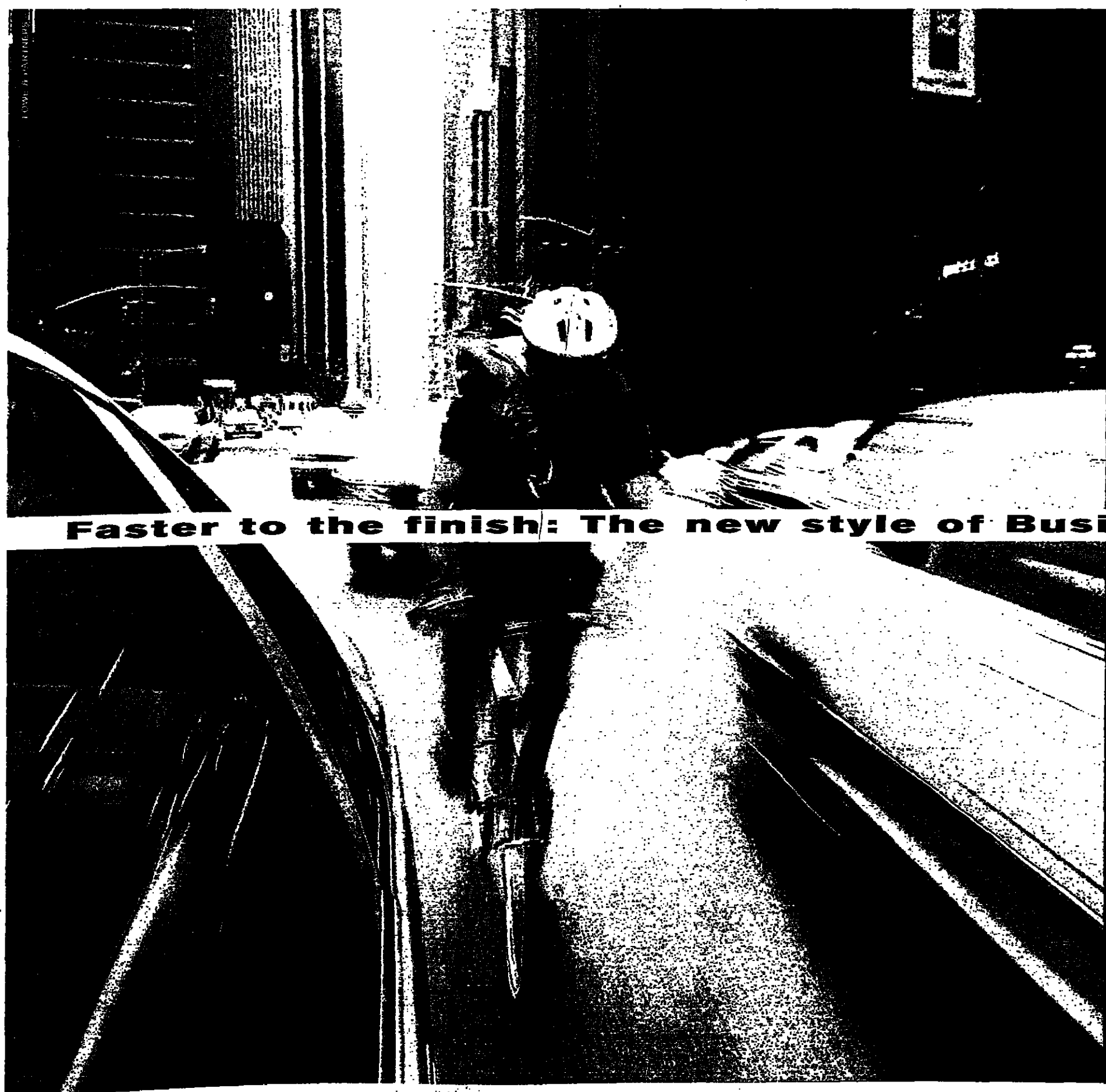
Clients can be persuaded to stay with Meyer if the yard's prices are up to 10 per cent

above its rivals, Mr Meyer says. Beyond that, they will almost certainly go elsewhere.

So as other German shipyards are studying proposals to merge and shed more jobs, the small family-owned yard in Papenburg is once again looking at how to be more innovative and stay ahead of the pack. At a time when the European shipbuilding industry is shrinking, Mr Meyer and his executives are considering whether to expand abroad.

Meyer was asked to draw up plans for the conversion of the Philadelphia Naval Shipyard, which the authorities want to use to build the high speed container ships travelling at up to 40 knots which are expected to become popular as trans-Atlantic trade picks up.

A decision has not yet been taken but is being considered carefully. Mr Meyer says, partly because of the advantage of producing in dollars, the currency of the shipbuilding industry which this year has again fallen against the D-Mark, in which Meyer must operate.



No detours. No delays. Just straight to the finish. That's our idea of a new Business-Banking style. By specialists who are there for you. Who tackle your financial problem head-on, finding the direct route to your solution. Liquidity and risk management

Faster to the finish: The new style of Business-Banking.

via modern control instruments, or international networking in money transfers, put you on the fast track to success. Our goal is to get you to your goal.

Helaba

Closer to business.

Landesbank Hessen-Thüringen
Girozentrale Frankfurt/Erfurt

Finanzgruppe

WINE: by Giles MacDonogh

The sour taste of competition

At home and abroad, German wines are in retreat against rivals from many countries

In the old days they had no problem selling the stuff. Germans drank German wine, naturally. And there was a flourishing export market out there, particularly in Britain.

Hock and mosel wines were almost the rule when it came to officers' messes, gentlemen's clubs and senior common rooms.

But in the golden age of German affluence, a German who drinks only German wine has become a slightly suspicious character, and in Britain to be vehemently anti-German is a badge of respectability among the new right. Nor have sales been improved by the undeniable fact that the role of our old fashioned institutions has been whittled away to nothing.

Who drinks German wine today?

Most of it is still consumed in Germany, especially in the "Wine Germany" as opposed to the schnapps and beer drinking regions, where one is as likely to find French, Spanish or Italian wine as a bottle of hock. And there is still an enormous quantity shipped to Britain.

The problem is that this wine is generally assembled from the tiny estates of Rheinhessen and the Pfalz and comes in the form of Liebfraumilch, or something similar. With the D-Mark at its present high, it is virtually dumped. How else can Sainsbury's sell hock at £2.39?

It takes a rare tenacity for a British merchant to want to ship German wines these days. With the present exchange rate and the dwindling market for German quality wines, many have ceased to bother.

After a decade or two of uncertainty the best estates now sell well at home, or have found niche markets in the US, Scandinavia, Japan or Singapore.

On the German market, at least, lacklustre wines can be turned into sparkling Sekt, for which Germans appear to have an unquenchable thirst.



September's annual grape harvest gets under way in Baden-Württemberg

The age of foreign travel has certainly altered the German perception of their own wine. Once holidays in southern and south western Europe became the rule, Germans discovered not only bigger wines with more alcohol; they learned to enjoy the combination of wine with food.

Their experience called into question the old *Gemütlichkeit* whereby the wine was brought out over the crumbs of an early evening *Brot*.

The change in German drinking habits caused much hand-wringing at the German Wine Institute in Mainz. Their solution was to promote the idea of German wine taken directly with food. Millions of D-Marks have been sunk into this scheme. It may be too early to say if it has borne fruit in Germany. Similar projects do not appear to have altered

our perception of German wine with food.

For a while, German wine-makers played along with the scheme. They made wines bone dry as opposed to the traditional semi-sweet style. The most successful of these were the *Spätlese* and *Auslese*, which had sufficient alcohol to balance out the high acidity levels. There were fewer takers for the lighter *Kabinets* which tended to be tart, unbalanced wines when vinified dry, and many growers have now returned to traditional techniques.

Only in the sunnier parts of the Pfalz and Baden are these gutsier styles possible year in year out. It is not for nothing that within Germany, at least, Baden wines have proved the real success story of the past decade.

Another issue which

obsesses wine policy makers is the need to simplify the verbosity of the wine label, which confuses German speakers and non-German speakers alike.

One which has received official sanction is the gradual abolition of the *Grosslage*, a large geographical area sold under a pretty, village-sounding name such as Niersteiner Gutes Domtal or Piesporter Michelsberg. To the untutored ear this is indistinguishable from the quality-producing *Einzellage* or slope. Famous examples of these are the Bernkasteler Doctor or the Kiedricher Sandgrub.

The solution is to replace the *Grosslagen* by village names such as Piesporter or Niersteiner. The law was introduced last year in the Upper Mosel, but it looks like being a long time before we begin to see results in the areas with the

greatest interest the continuation of this obfuscation.

One project which has failed to achieve any official sanction so far has been to introduce a French-style cru system, whereby individual vineyard sites are designated *Erste Lage* (grand cru) or *Klassische Lage* (premier cru). This would have the advantage of giving the consumer an immediate idea of the quality of the wine while eliminating some of the poorer *Einzellagen* established by earlier wine laws.

The Rheingau has been the first German region to draw up a cru system. The project is currently being considered by the state of Hesse, but for the time being few people feel it will be adopted in the near future.

The EC has created plenty of competition for German wine makers. Very few can match the French and Italian wines which grace the supermarket shelves at DM2 a bottle. In general the larger firms are not successful. Deinhard has only survived by selling *Sekt* despite owning some fabulous vineyard sites in the best locations.

According to Stuart Pigott, a British wine writer who lives in Germany and frequently stirs up the German wine trade by his hard-hitting attacks on those growers who rest on their laurels, only two large firms are currently setting an example to the trade: Julius-Eidel in Würzburg and Reichsgraf von Kesselstatt in Trier. These combine quantity with a well-merited reputation for quality. Otherwise small estates have come to dominate the quality end of the market.

The future is clearer than it has been for some time. The very best German wines are now appreciated for what they are: the most complex, indeed intellectually challenging wines you are likely to find. This new-found enthusiasm has communicated itself to the moneyed markets abroad, too.

America, it seems, has accepted the food-and-wine message from Mainz like nowhere else. Only in Britain does the situation continue to be depressing, but then the supermarkets' message that "good wine is cheap wine" simply will not work for Germany.

AGRICULTURE: by Michael Lindemann

The Maginot line

State aid for farmers against currency movements is under heavy fire

The editorial in the Frankfurter Allgemeine, one of Germany's leading newspapers, seemed typically reticent. It was headlined simply *Eine Extravurs* which translates loosely as "something special".

The content itself was less judicious, giving German farmers short shrift for demanding special treatment. "The farmers in hard currency countries are the only group in the European Union which demands and gets state-funded protection from the uncomfortable consequences of currency movements," the paper said. "There must finally be an end to this."

The Frankfurter Allgemeine is not alone in objecting to farmers' demands. Mr Franz Fischler, the Austrian who is responsible for agriculture at the European Commission, recently told a rather dismayed audience in Bonn that the market for agricultural goods had to be further liberalised and that anyone who thought otherwise was thinking in terms of "agricultural Maginot lines".

However, German farmers, like their counterparts elsewhere, are a stubborn lot and show little sign of giving up in their efforts to have their tax-free threshold raised by a further 2 per cent to make up for the loss of business resulting from the stronger D-Mark. Chancellor Helmut Kohl recently promised a group of farmers visiting Bonn that he would intervene in Brussels to ensure that they get their compensation so the matter is not likely to disappear.

Many farmers are indeed hurting. A large number of Bavaria's 200,000 farmers lost sizeable amounts of beef and milk business in Italy earlier this year because the lira fell in some cases by over 30 per cent against the D-Mark.

Elsewhere in Germany, especially in the eastern states, market shares in the pork trade have been lost to the Dutch and the Danes, the agri-

culture ministry says. Both of these smaller neighbours have more efficient marketing structures which enable them to provide cheaper goods.

When not dealing with angry farmers demanding compensation for currency movements, Mr Jochen Borchert, the agriculture minister, is doing what he can to weld together the agricultural systems in the two halves of Germany. Doing so over the past five years has been problematic but much has been achieved.

There are now approximately 25,000 farms in the five eastern Länder compared with the 5,000 mostly state-owned collectives which existed in 1989. The larger units have been split up into smaller holdings, many of which are now family-run.

Fortunately, unwinding the former state-owned system in the east has meant that farms are larger and therefore, in theory, more efficient than the smaller holdings in the west. While the average western

East German live-stock herds have dropped by 65 per cent since 1989

farm covers about 33 hectares, the average eastern farm covers 157 hectares.

"Above all in the arable sector our east German farms are absolutely competitive," says Mr Constantin Heereman, the head of the German Farmers' Association.

However, while money has been spent on arable farming - which is not capital intensive - animal breeding and more sophisticated forms of agriculture have slumped dramatically.

The size of the cattle, dairy and pig herds in eastern Germany has slumped by 65 per cent since 1989 and the agriculture ministry is doing all it can to recover the breeding capacity, the loss of which has meant more sales for the neighbouring Dutch, Danes and French.

Unresolved property claims

and the lack of private capital in the eastern Länder means that government hopes of rekindling the livestock business in the east have so far been disappointed.

More also needs to be done to improve the marketing structures in Germany, the ministry says.

Abattoirs tend to be smaller than those in neighbouring countries. German pig farmers, meanwhile, especially the smallholders, are still inclined to shop around for the best deal and are reluctant to commit themselves to longer-term contracts as their Dutch and Danish neighbours are, leading to higher retail prices because of the resulting uncertainty.

"In Denmark everything is thoroughly taken care of from the piglet to the pork chop," an official in the agriculture ministry said.

The ministry is also supporting efforts to regionalise the sales of agricultural goods in a bid to get German consumers to buy German goods. Agriculture ministry officials admit, with a hint of exasperation, that German consumers are "a bit extreme" when it comes to worries about what is in their food and this has not helped sales.

The row about bovine spongiform encephalopathy - otherwise known as mad cow disease - has hit beef sales in Germany but the farming lobby hopes to win back consumers' confidence by introducing stricter controls which, they say, will prove that a cow has never left a certain region. The same marketing techniques are to be applied to an array of German agricultural goods in the hopes of winning back sales from the Danes and the Dutch.

The problems with the falling lira - and other European currencies which have dropped against the D-Mark - have reinforced calls among German farmers for a single European currency. Only then, they say, is there any chance of creating a market where competition is fair.

If a single currency comes then it is not likely before 1999. Until then, German farmers may have to make do with further falls in income.

In Baden-Württemberg, we know all about bull markets.



And bear markets, too, come to that. In turbulent times, L-Bank's credit quality and liquidity forge firm foundations for innovative issues.

L-Bank is the bank of the State of Baden-Württemberg, an economic powerhouse of a state, even by German standards. The wealth of blue-chip corporations based in Baden-Württemberg includes names that any state would be proud to call its own. The close ties between bank and state make for effective synergies. Baden-Württemberg is

the force that underpins the high credit quality, well known around the financial world. In return, its state development agency, L-Bank assists the state with its public sector commitments - targeted infrastructure improvements, promotion of trade and industry, funding for residential construction programs and family support, to name but a few. Oh, and the promo-

tion of agriculture, of course. Which brings us back to those bull markets. L-Bank, Schlossplatz 10/12, D-76113 Karlsruhe, Germany. Telephone INT 721/150-0.

L-BANK
Landesbank Baden-Württemberg

Verbundnetz Gas AG

Linking up with success



It's no secret that the right connections help to start things moving. We make the right connection in every sense of the word. As an east German gas merchant company we are literally "welded" to our partners. We receive gas from the European pipeline system; we feed this gas through our own 8,000 km grid to link up with regional and local networks. These networks in turn connect with the customer. So we are a vital link in the chain from the producer to the user. And our sound energy concepts provide our partners with the service they need to keep their customers satisfied.

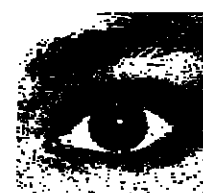
Verbundnetz Gas AG · Karl-Heine-Straße 10 · 04229 Leipzig · Germany · Telephone: (0 10 49) 34 14 43-01



Everyone's talking about
the Infobahn
the superhighway of the future



Deutsche Telekom was one of the first companies in the world to invest in the Infobahn. So it's hardly surprising that we're further down the road than our competitors. We already have the most closely woven fiber optics network – and the most extensively developed ISDN network – in the world. So wherever you want to go in the world of multimedia, we have all the routes you need.



The Infobahn is major news. It will create enormous opportunities; it will define the future competitiveness of entire national economies. At Deutsche Telekom, we recognized this potential years ago – and gained a head start in creating the necessary high-speed infrastructures to enable our customers to take full advantage of it. With the result that we now operate the most developed ISDN network, the most comprehensive cable network and the longest fiber optics network in the world.

The multimedia revolution isn't coming – it's here.

We are already seeing the first results of our efforts to make this new technology improve the way we all live.

Working with our partners, we have linked hospitals and clinics to the Data Infobahn. Now X-rays and scans can be sent from specialist to specialist for analysis – in seconds. Teams of surgeons, perhaps thousands of miles apart, can confer on-line, concentrating lifesaving skills and expertise where they are needed, regardless of where the specialists actually are.

In schools, the Infobahn is helping children to learn in new and more effective ways. Thanks to videoconferencing, they can even join other schoolchildren from around the world in "virtual" classrooms.

With our help, Lufthansa is now operating the world's first remote aircraft maintenance system. Via the Infobahn, performance data is transmitted to ground stations while the plane is in flight, and then processed into detailed service checklists for the next stopover point.

We're also working with some of Germany's largest mail order companies to make teleshopping a reality: complete with on-screen selection, on-line customer assistance and electronic order processing and payment.

And, in conjunction with our partners, we're in the process of conducting a whole series of pilot projects, in thousands of private homes in Germany, to test the potential domestic applications of multimedia.

For the new era, a new structure.

Deutsche Telekom made the move to stock corporation at the beginning of this year. This restructuring means we are now free to press on even faster with technological innovation. At the same time, we're creating dynamic global alliances with market-leading international partners like Intel and Microsoft.

Join the highway here.

We saw the multimedia revolution coming – and laid plans to take advantage of it. Our vision has created a version of the Infobahn which is now up and running, with an array of applications and services to match. It's the fast lane to the future: and you're welcome to join us on it.

Our connections move the world.

Deutsche
Telekom



NORTH CAROLINA

State with many faces

Modern images jostle with those of an older society. Success has brought the risk, however, of a two-speed state developing, says Tony Jackson

The trouble with North Carolina, the natives will tell you, is that its image is out of date. Outsiders still think in terms of the old South: of tobacco fields and textile mills, saw mills and turkey farms. In reality, North Carolina is at the cutting edge of finance, electronics and biotechnology. It is the model of the modern, knowledge-based society.

On closer inspection, this proposition can be stood on its head. North Carolina has done a pretty good job of selling itself in recent years. To the business community, at any rate, the name now conjures up the cities of Raleigh-Durham and Charlotte: the first a high-tech enclave, a magnet for industrial researchers around the world; the second a financial powerhouse, its shiny new skyscrapers home to some of the fastest-growing banks in America.

But the old image still has truth in it. North Carolina is by a long way America's biggest tobacco-growing state, and its biggest producer of turkeys and sweet potatoes. It is also its largest manufacturer of textiles and furniture - industries classically associated with the Third World. Of all the states in the Union, North Carolina has the highest proportion of its workforce employed in manufacturing; and of those jobs, many if not most are in the older industries.

The theme of polarisation can be extended. A quarter of

the state's population consists of minorities, predominantly black. Infant mortality is abnormally high.

While the state's university system is among the best in America, its school system is among the worst. Its high-paid jobs are often taken by newcomers, the low-paid jobs by locals. As the price of its success, North Carolina risks becoming a two-speed state.

The problem is to an extent compounded by geography. Like Caesar's Gaul, the state falls into three distinct parts: the central or Piedmont region, the mountains to the west and the farming region running eastwards to the coast.

In commercial terms, the backbone of the Piedmont region is Interstate 85, the highway which runs from Virginia to the north down through Atlanta to the south. Built in the late 1970s, the I-85 had the effect of linking the technological hub of Raleigh-Durham to the financial hub of Charlotte, 140 miles to the south-west.

The I-85 corridor, local economists say, is one of the hottest commercial strips in America. It has proved extraordinarily attractive to foreign manufacturers: by one count, there are 240 Japanese transplants along the corridor alone. In high tech terms, its jewel is Research Triangle Park which has drawn on the local universities to create a remarkable resource for electronics, computing, biosciences and health care.

To the west are the Appalachians: famous for their scenery, sought out by tourists - 8m a year to the Great Smoky Mountains National Park alone - and an increasingly popular resort for rich pensioners in retreat from the summer swelter of Florida. Outside the local capital of Asheville, the region has little to do with the high-tech revolution: the chief employers are



University of North Carolina: the state system is among the best in the US



North Carolina's school system, however, is among the worst in America

the textile and furniture companies, and one of the biggest crops is Christmas trees.

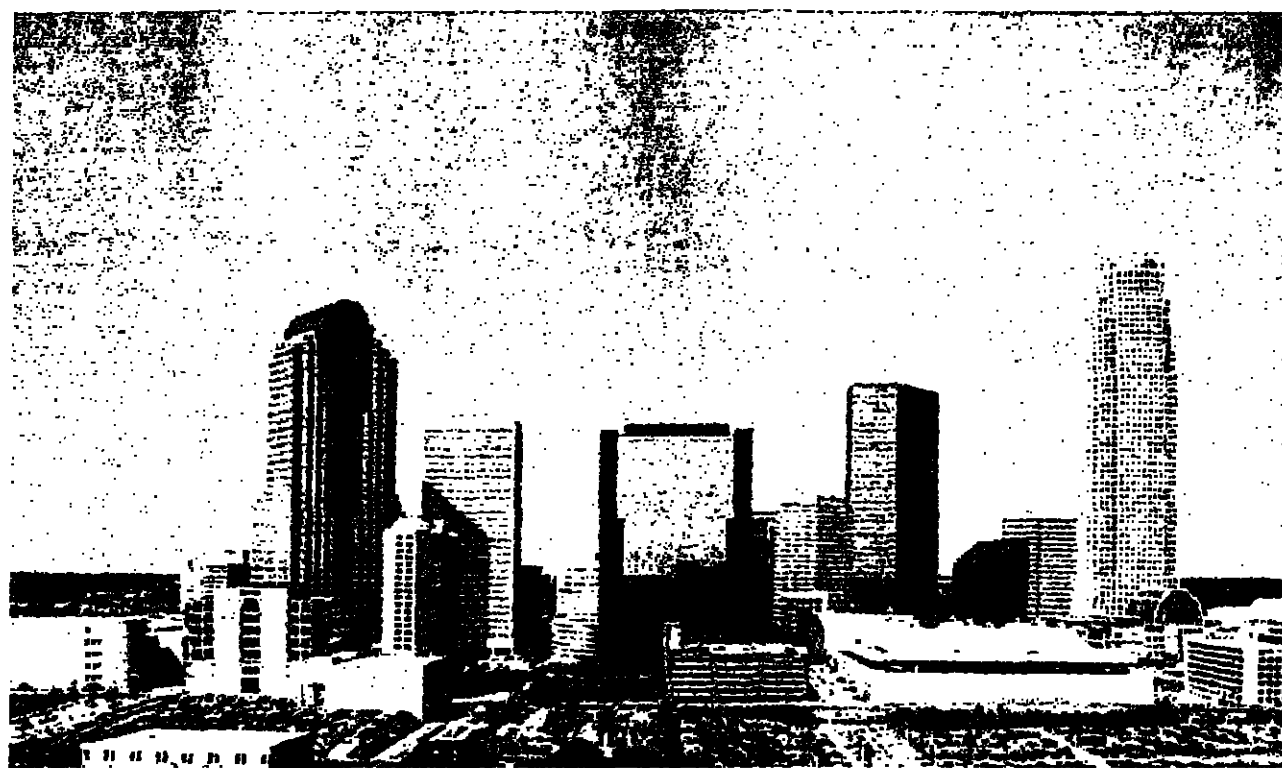
But it is the coastal plain to the east which shows the old image of North Carolina at its sharpest. This is mostly farming country, with tobacco patches alternating with fields of cotton. It is also, in parts, a land of poverty and trailer homes - although even the most humble trailer is generally set in enviably scenic surroundings.

Where there is manufacturing, it often illustrates a general truth about the poorer parts of the state: that communities tend to rely unduly on

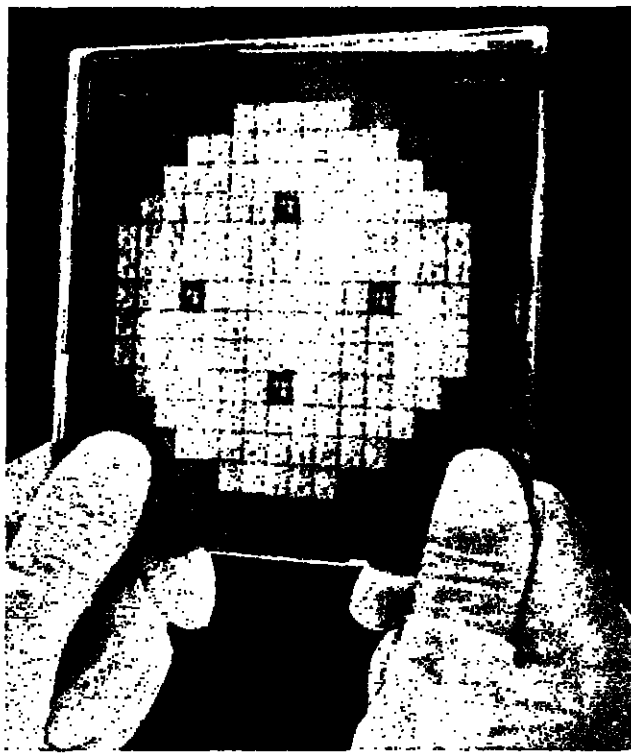
single industries, and are correspondingly at risk. This is most obviously true of older industries: but even high-tech industries can prove fallible, as illustrated by the case of the regional centre, Greenville.

For some 25 years, Greenville - not to be confused with the better-known Greenville, South Carolina, on the I-85 - has been home to the sole US manufacturing plant of Wellcome, the UK-based drug company. Earlier this year, Wellcome was taken over by another UK drug company, Glaxo.

As luck would have it, Glaxo's sole US manufacturing



Modern images: Charlotte is a financial powerhouse. Its shiny new skyscrapers are home to some of the nation's fastest-growing banks



High-tech water production at Raleigh-Durham

Picture: Chris Henderson

plant is also in North Carolina - at Zebulon, 60 miles closer to the two companies' US headquarters in Research Triangle Park. Greenville will therefore be the loser and the large and

imposing Wellcome plant, which at its peak employed 1,800, will in five years' time employ only 350.

This may not be as bad as it sounds. According to Ms

Wanda Yuhus of the Pitt County Development Commission in Greenville, the area is perfectly capable of making good the job losses over five years. The record seems to bear her out: in the course of the 1980s, employment in Pitt County grew by nearly 14,000, or 82 per cent - compared with a state figure of 22 per cent - and the population rose 20 per cent.

Lately, some of the new jobs have been international: a Japanese manufacturer of electrical components, for example, or the UK's Laird Group, which has two plants in Greenville making keyboards and cables for the personal computers which IBM assembles in Research Triangle Park. But as Ms Yuhus also concedes, much of the growth has been at the expense of the surrounding areas. Greenville is a university town, and draws from the hinterland those who do not feel ready for the cosmopolitan hubbub of Charlotte or Raleigh.

There is an element of paradox here. The 7m population of North Carolina is still mostly scattered in small communities across the state, and some of those communities are clanish and suspicious of change. Many of the elements of that conservatism - the work ethic,

the religious observance, the hostility to trade unions - have proved historically important in attracting outside capital and jobs.

If North Carolina is to avoid becoming a two-speed state, it must make these communities part of its success. In doing so, it risks weakening some of the qualities which made that success possible. But the state has one final advantage which shows no sign of going away: its sheer physical attractiveness, or what is known in the jargon as its quality of life. To the visitor, the extreme dispersion of its population may be a touch unnerving: one can drive through a town as big as Raleigh and scarcely notice it, so widely scattered are the buildings and so pervasive the greenery.

But North Carolina, say the locals, is the opposite of the usual tourist destination: it is a great place to live, but - aside from the mountains and the sea - you wouldn't want to visit it. To a remarkable extent, it combines the isolation of the country with the amenities of the town. It enjoys long, mild springs and autumns. And as a long-standing resident - not a native - remarks: "The defining quality of North Carolina is that it's pretty."

GO AHEAD. INFORM
MOVING THE COMPANY HERE
WORKER PRODUCTIVITY RATES WE

N O R T H C A R O L I N A

Our workers rank first in manufacturing productivity in the United States. We have the nation's lowest construction costs. Our work stoppage rate is 0.02%.
919-733-3333 • FAX 919-733-9265 • E-Mail info@mail.commerce.state.nc.us • INTERNET <http://www.commerce.state.nc.us/>

State of North Carolina European Office • 49-211-320-533 • FAX 49-211-132-954

NORTH CAROLINA

■ The economy continues to grow, reports Tony Jackson

Education is key to future

In part, the state has relied on cheap labour. It must now rely on a skilled workforce: and that means education

A good part of the credit for North Carolina's growth in the past 20 years is claimed by the state government. There is some justice in this. The state can point to its investments in roads and other infrastructure, in universities and technical colleges, and in specifically industrial projects such as Research Triangle Park.

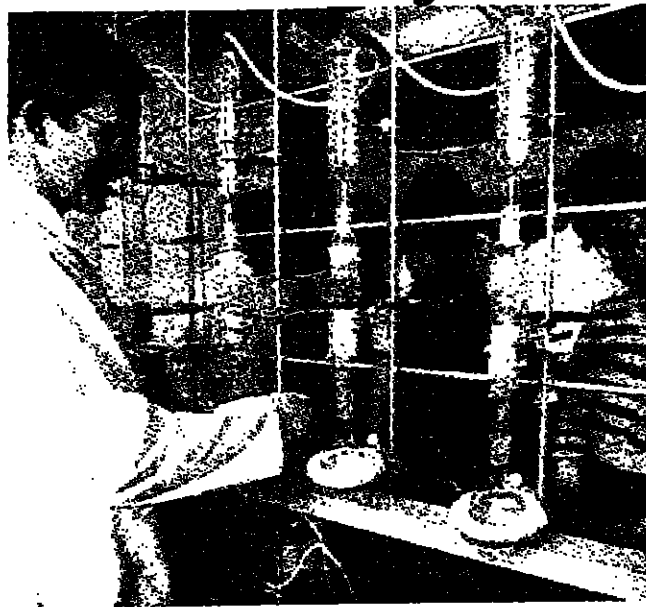
Partly as a result, employment in North Carolina has grown at well above the national average: at 4.3 per cent a year from 1976 to 1988, compared to 3.3 per cent for the US.

Manufacturing employment grew by 1.2 per cent a year over the period; in the US it grew by 1.2 per cent in total. Last year's strategic plan drawn up by the North Carolina Development Board, from which those figures are taken, gives a concise assessment of where the state goes from here. Growth in manufacturing employment is bound to slow, giving place gradually to services. At the same time, manufacturing itself will shift further from old industries to new.

In part, North Carolina's growth has relied on cheap labour. It must now rely on a skilled workforce: and that means education. It is commonplace in the US to observe that the excellence of the best universities is at odds with the decline in elementary schooling. In North Carolina, the contrast is particularly stark.

Mr Blair Sheppard, associate dean at Fuqua (the business school at Durham's Duke University) says: "The tragedy is that North Carolina has the second- or third-best public-funded university system in the country, and the second-worst elementary school system. Money is squeezed out of the schools to fund the universities."

Mr Sheppard, a Canadian, is clear on the reason. "They'll



School of Science and Maths: the system faces an uncertain future

never tell you so, but this state still believes in aristocracy. The sons and daughters of the rich go to private schools, then they go to Chapel Hill [part of the University of North Carolina]. Discrepancy of income doesn't bother people here. Creating an educated elite was a stroke of genius in its timing, but it was an awful piece of representative government."

Not surprisingly, that analysis is not universally accepted. John Connaughton, economics professor at the University of North Carolina at Charlotte,

concedes that the state's SAT (standard achievement test) scores put it very near the bottom of the national ranking. "The standard line on that," he says, "is that we have so many students actually taking the tests, and that brings down the average. But the bottom line is that we have a large minority population which historically has had a problem in terms of access and attitudes to education. Fighting that tradition takes time, and it'll be better in 20 years. But the elitist analysis is false and anecdotal."

There is also a measure of disagreement about the extent of poverty in North Carolina. The official figures are discouraging: the state comes 37th in the percentage of people living in poverty, 33rd in annual pay and 29th in the percentage of

workers with health coverage. Mr Connaughton does not deny that there is plenty of poverty, both urban and rural. But the official measure, he says, is meaningless. Dating back to the Kennedy administration in the 1960s, it consists of a single figure for the country, adjusted periodically by the consumer price index. "The Southern states typically show up with a high level of poverty, but that's an absolute figure which takes no account of the cost of living. As an economic indicator, it's disreputable."

Meanwhile, the school system faces an uncertain future. According to Anne Scharf, an economic planner at the governor's office, Governor Hunt has identified the improvement of the system as a clear priority. "There is a sense of urgency about education," she says. "The problem comes with the state legislature. We now have a Republican majority in the House, and close to that in the Senate. The building budget has been slashed, and there have been a lot of lay-offs." (The governor, it will be recalled, is a Democrat.)

But this need not be decisive. While it is clear that the state's education system cannot of itself sustain growth at the historic rate, the gap is so far being closed by education. In biotechnology, for example, the state claims to create 2,000 jobs

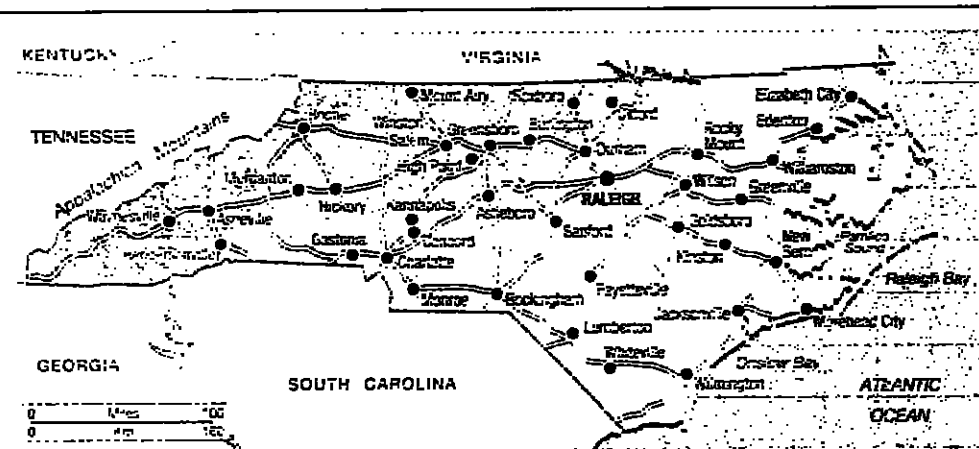
a year, while its universities only turn out 1,000 biotechnologists.

The difference is made up by the migration not just of individuals, but of whole companies. In any case, the problems of schooling and poverty are relative. One good indication of that is the employment rate.

Since the early 1980s, North Carolina has been included among the 11 largest industrial states whose employment is measured by the government on a comparable basis. Ever since, its unemployment has been the lowest of the 11. The latest figure for September was 4.7 per cent, compared to a national figure of 5.6 per cent.

And, after all, the economy continues to grow. Mr Dan Friel of NationsBank in Charlotte calculates that since 1980, the state's total personal income—a figure he prefers to Gross State Product as more up to date—has grown by 65 per cent in nominal terms, compared to a national figure of 42 per cent. And while the state's average annual pay of \$23,000 is \$3,000 below the national figure, the gap, he says, is closing all the time.

Mr Sheppard of Fuqua sums up with an analogy drawn from California. "It's very hard to predict how this whole thing is going to evolve. It could go the way of Los Angeles, with a huge influx of people and not enough infrastructure, so it becomes a mish-mash of nothing. Or the strength of the individual cities may make it a more extended version of San Francisco." So far the betting seems to be on the latter.



■ Banking: North Carolina's indigenous banking industry has never been stronger, says Richard Waters

Soaring skyline says it all

A traditionally liberal approach to bank regulation and a clutch of ambitious bankers led to dominance

Charlotte's soaring skyline says it all. The jutting spire speaks of the lofty ambitions of NationsBank: the spreading mass of its neighbour, First Union, projects that bank's less showy but equally massive presence. This is a city which boasts two of the country's six biggest banks, and it has the architecture to match.

The final step of Charlotte's emergence onto the national banking map will come early next year, when First Union completes its acquisition of New Jersey's First Fidelity. The most expensive banking takeover in the US, at \$5.2bn, it marks the latest step in the city's rise as a powerful banking centre.

While many other US states are losing their home-grown banks to acquisitions by out-of-state institutions, North Carolina's indigenous banking industry has never been stronger. Besides the twin giants of Charlotte, the state is also home to Wachovia, a company which ranks among the country's 25 largest banks, with assets of \$43bn.

Wachovia's smaller size belies its impact on the banking markets in the South East: among the best-regarded in its industry, the bank was ranked the most profitable of the US super-regional banks in four

out the past five years in a survey by Salomon Brothers (it slipped briefly to seventh in 1991).

North Carolina's dominance of the South East regional banking industry can be traced directly to two things: a traditionally liberal approach to bank regulation and a clutch of ambitious bankers.

The state was earlier than most in the region to permit banks to operate state-wide through branch systems. Allowed to grow their deposit bases through acquisition, the local banks acquired the size and financial muscle to mount big acquisitions elsewhere in the South East when state barriers to takeovers started to tumble after 1983.

State-wide banking also gave North Carolina's biggest banks experience in building and running geographically diverse retail operations. The bankers who built the state's biggest banks "learnt how to merge systems and assimilate people and cultures," says Mr Joel Smith, president of NationsBank's operations in the Carolinas.

The emergence of Charlotte's banks also owes much to two ambitious bank chairmen: Mr Hugh McColl, chairman of NationsBank, and Mr Edward Crutcher, his counterpart at First Union. Between them, the two have been the most aggressive acquirers of banks in the US over the past decade (First Union alone lays claim to some 50 acquisitions, a number that is almost certainly unmatched by any other bank).

As Mr Smith at NationsBank

says, the two bank leaders "saw that consolidation was what the banking industry needed to do to be competitive," and acted before most others to get there.

While Mr McColl and Mr Crutcher were out building giant regional banking groups, they could draw comfort from the knowledge that their local markets were immune from attack from rivals based in New York or elsewhere in the country. A regional compact between states in the South East, introduced in the mid-1980s and finally laid to rest earlier this year, opened up bank takeovers across state lines only for banks already based in the region.

This compact "allowed banks in the South East to grow without worrying about the money centre banks or other regional banks," says Mr John Georgius, president of First Union. It enabled a NationsBank or a First Union to mount acquisitions without having to compete with a Chemical Banking or a BankAmerica—or fear takeover itself.

The passage last year of federal legislation to allow interstate banking and branching has finally spelt the death of the compact. It has also contributed to the acceleration of bank takeovers and acquisitions in the South East, as it has elsewhere in the country.

Last year, when BB&T Financial and Southern National—two North Carolina-based banks—merged, the changing legislative environment was uppermost in their minds: with big banking groups from elsewhere in the country now free to move into the South East, they needed to get bigger to compete, the two said.

With assets of \$20bn, the merged bank (known as Southern National) now stands close to NationsBank, First Union and Wachovia in its share of the North Carolina banking market.

A further factor has helped to foster the growth of North Carolina's banking industry, says Mr Georgius of First Union: "We have been supported by a wonderful economy."

North Carolina—and the

South East generally—was spared the sort of economic problems that laid waste to the Texas banking system in the mid-1980s, or the various property collapses and industrial traumas that have visited themselves upon the banks of New England, California and the Mid-West in recent years.

Bankers in the region expect this state of affairs to continue. "The South East will do better than the rest of the US over the next 10 years," says Mr Bud Baker, chief executive of Wachovia.

In the meantime, the strength of the regional economy—and the financial health of the banks themselves—is supporting what is likely to be remembered as one of the great periods of bank expansion. Not content with buying other banks, both NationsBank and First Union are busy expanding into a wide range of new products and markets, from mortgage banking, credit cards and mutual funds for retail customers to derivatives trading, syndicated lending and bond underwriting for corporations.

NationsBank and First Union each say, for example, that they have hired about 100 investment bankers in the past 18 months or so to staff their growing capital markets businesses.

The rapid growth of NationsBank and First Union has left Wachovia with a dilemma. On one hand, says Mr Baker, "we have never focused on size as part of our corporate culture, and we're not going to do it now."

On the other, he concedes that "there is some truth" in the argument that the higher technology costs associated with developing new delivery systems—from telephone banking centres to a presence on the Internet—make scale economies an important consideration.

The US banking industry is now abuzz with talk of the next possible big bank merger: Wachovia and SunTrust, another well-regarded bank headquartered in Atlanta. Together, the two would create a new regional giant, ranking among the country's 12 biggest banks.

大酒樓

六五九

Responsive SolutionsSM
It's More Than Knowing The Language.
It's Interpreting The Market.

International banking. Trade finance. Worldwide banking transactions. State-of-the-art technology. At First Union International Banking Division, nothing is foreign to us.

Our strengths lie in the fact that each client—and every detail—receives our fullest attention. We work hard to develop innovative, responsive solutions for our clients, utilizing a full array of international banking products and resources.

If you're searching for a banking partner who can act as a financial interpreter through the world's markets, consider First Union. We'd like the opportunity to show you why.

FIRST UNION
 Capital Markets Group

Subsidiary, representative, affiliate or liaison offices in Atlanta, Bangkok, Bombay, Charlotte, Ho Chi Minh City, Hong Kong, Jakarta, Johannesburg, Kuala Lumpur, Los Angeles, Manila, Miami and Washington, D.C. ©1995 First Union Corporation

It's Amazing What Machines Can Do With The Right Electric Company Behind Them.

They might even write a headline begging you to locate your new automotive parts plant in the Carolina Power & Light area. They know what's good for them: an electric company that can stop power quality problems before they ever start.

CP&L has created a team of power quality engineers who will work with you at the design stage. They'll

make recommendations to see that requirements for your sensitive equipment are met from the beginning.

You (and your equipment) will also appreciate our ongoing consultation once you're here. Call for more information and join other companies like Stanadyne, TAKATA and GKN who've located here. Your machines will thank you.

CP&L
 Carolina Power & Light

For North Carolina locations: Dale B. Carroll, Manager—Economic Development, Carolina Power & Light, Raleigh, NC. Tel: (919) 546-4586, FAX: (919) 546-4794

NORTH CAROLINA III

Tobacco: The production system is antiquated and fairly absurd, says **Tony Jackson**

Culture has \$1bn roots

Even though the industry remains in the moral doldrums, it is thriving commercially

North Carolina has a curiously ambivalent attitude towards tobacco. In the booming high-tech parts of the state it is something of an embarrassment; a dwindling and unsavoury business, symbolic of the bad old days. "If tobacco went away," says a Charlotte economist, "it wouldn't cost the state a year's growth."

Among the tobacco fields 100-odd miles east from Charlotte, the picture is rather different. The visitor to the local store - say, the Piggly Wiggly

supermarket in Grantsboro - is confronted with the product in bewildering variety: cigarettes, naturally, and pipe and rolling tobacco; but also dozens of brands of snuff - Society, Honey Bee, Railroad Mills Sweet Scotch Snuff - and dozens more of chewing tobacco: Red Juice, Days Work and Browns Mule.

In this poorer region of the state, the tobacco culture still has deep roots. In relative terms, the crop may have lost ground to poultry, hogs and cotton. But it is still worth more than \$1bn a year at auction. This makes North Carolina much the biggest tobacco producing state in the US, with around 40 per cent of the nation's output.

The land which produces it - mostly in small lots - could not yield the same wealth from any other crop. As Mr Bob Jenkins, head of the North Carolina Farm Bureau Federation, puts it: "If you went to a fruit crop like strawberries, you'd flood the market. If you grew corn, it wouldn't be worth as much."

The system of tobacco production, in North Carolina as in the US overall, is antiquated and fairly absurd. In the view of some local economists, it is also the enemy of efficiency, and perpetuates poverty in the eastern part of the state.

Under rules set up by the federal government in 1938, at the US tobacco farmers' request, tobacco growing is subject to a mesh of regulations governing price, quotas,

acreage and yields. The right to grow tobacco is granted through a system of allotment, or entitlement. The owner of the entitlement may or may not produce tobacco; like the owner of a New York taxi medallion, he or she may also rent the entitlement to someone else.

The scale of operations ranges from the small - say 250 acres - to the very small, at around five acres. The top end, as Mr Jenkins points out, represents professional farming, with perhaps several million dollars invested in handling equipment and curing barns. It is a far cry from the large-scale industrial farming of the mid-West.

But that is largely the point. Tobacco farming is, at least in

part, a form of outdoor relief. President Clinton obliquely admitted as much in launching his campaign against under-age smoking in August. Surely, he was asked, federal support of tobacco growing was inconsistent with the aim of curbing smoking? Perhaps, he said, but maintaining a system of small, family-based production was preferable to factory farming.

Behind all this lies an irony. The general assumption is that tobacco is in picturesque decline. In fact, the opposite is true. In North Carolina and in the US overall, tobacco is making a quiet comeback.

This year, the government raised the national quota for flue-cured tobacco by 16 per cent, to 1.6bn lb. Being almost wholly a producer of flue-cured (as opposed to burley) tobacco, North Carolina had its output raised in line with the national total.

The reason is made plain by Philip Morris, the world's biggest non-government owned cigarette maker, whose plant

at Concord, North Carolina (just outside Charlotte) turns out about a third of its US production. Established as recently as 1983, the plant now has 1,800 employees. Plans are in hand to expand output by some 30 per cent, raising employment to 2,400.

This is partly because US cigarette consumption has levelled out after years of decline. This results largely from an epidemic of teenage smoking, which Mr Clinton's campaign is designed to address. At the

same time, Philip Morris has been gaining market share, a fact underlined by this month's

cus in jobs (though not output) by its chief rival, R.J. Reynolds, at its North Carolina plant at Winston-Salem.

More important, the world tobacco industry has been transformed in the 1990s by the opening up of markets previously closed to importers. Potentially the biggest of these is China, which accounts for around a third of world cigarette consumption. More immediately, western producers have enjoyed an upsurge in exports and production in central and eastern Europe, particularly the former Soviet Union.

As a rule of thumb, around 40 per cent of North Carolina's tobacco output is exported as leaf; last year, for instance, Japan bought \$67m worth of North Carolina tobacco, making it the state's biggest export to Japan. Of the 60 per cent consumed domestically, almost half goes to Philip Morris's Concord plant, and the plant exports some 30 per cent of its output. Add the state's other cigarette producers - in particular R.J. Reynolds, with its big plant in Winston-Salem - and it is plain that the future of tobacco production depends

chiefly on markets outside the US. But if tobacco is thriving commercially, it remains in the moral doldrums, particularly in the US. This is something the farming community continues to shrug off.

Mr Jenkins, as head of an organisation funded by North Carolina farmers, might be expected to be a tobacco advocate, and so he is. The \$1bn revenue raised by the crop, he says, is multiplied at least 20-fold on the way up the chain to the manufacturer's end price. "It's a legally grown and manufactured product. There's been no hesitation at the county, state or federal level about taxing it." As if to underline his point, he lights a cigarette. "If you do anything to excess, it could be harmful. You could say the same about people who grow corn and barley for distilled products. My physician smokes. I'd sure rather be treated by him under the influence of nicotine than under the influence of alcohol."

The textiles industry still takes pride of place, reports Tony Jackson

Politically sensitive product

The first big alternative industry did not arrive until 1983, when the tobacco giant Philip Morris established its plant in Concord

Among the old and supposedly endangered industries still embedded in the North Carolina economy, textiles take pride of place. Of the 1.7m people employed in US textiles today, some 300,000 work in North Carolina. That makes it the biggest textile-producing state in the Union, with almost twice the workforce of its nearest competitor, California.

The bald statistics, however, give little flavour of the status the industry once enjoyed. For that, you must talk to the locals: for example, to Mr George Liles, the mayor of Concord, a town in the heart of the old textiles region.

The first mill in Concord, Mr Liles relates, was put up in 1870 by J W Cannon, for the production of towels. The busi-

ness prospered, and Cannon shifted operations to a new site a few miles to the north-east, which he called Kannapolis - dubious Greek for Loom City. With a population of 33,000, Kannapolis is today slightly larger than Concord itself.

Under Cannon and his sons, Kannapolis was a mill town with a vengeance. "It was very paternalistic," Mr Liles says. "The mill provided the store, the fire and police department, the schools and the houses for the workers. It stayed that way until Charlie Cannon died 24 years ago."

Mr Liles, a retired surgeon, recalls treating an old woman who told him she had started working in the mill at the age of six. "It was a family thing, which was passed on. There were no retirement benefits or social security. When you retired you would still live in a mill house, whether your own or your children's."

There were also precious few other employers to choose from. Like other mill owners, Mr Cannon made sure rival industries were excluded from the area. The effect on the

economy was predictably stifling.

"Around 35 years ago," Mr Liles recalls, "a real estate agent told me 'buy up all the land you can around here, because the day Charlie Cannon dies, it'll take off.' And so it did."

The first big alternative industry did not arrive until 1983, when the tobacco giant Philip Morris established its plant in Concord (in the face of some diehard local opposition). Three years later, Cannon Mills was taken over by another North Carolina textile company, Fieldcrest, and its headquarters was moved to the town of Eden near the Virginia border. Today, Fieldcrest Cannon remains a substantial company with a market value of about \$200m.

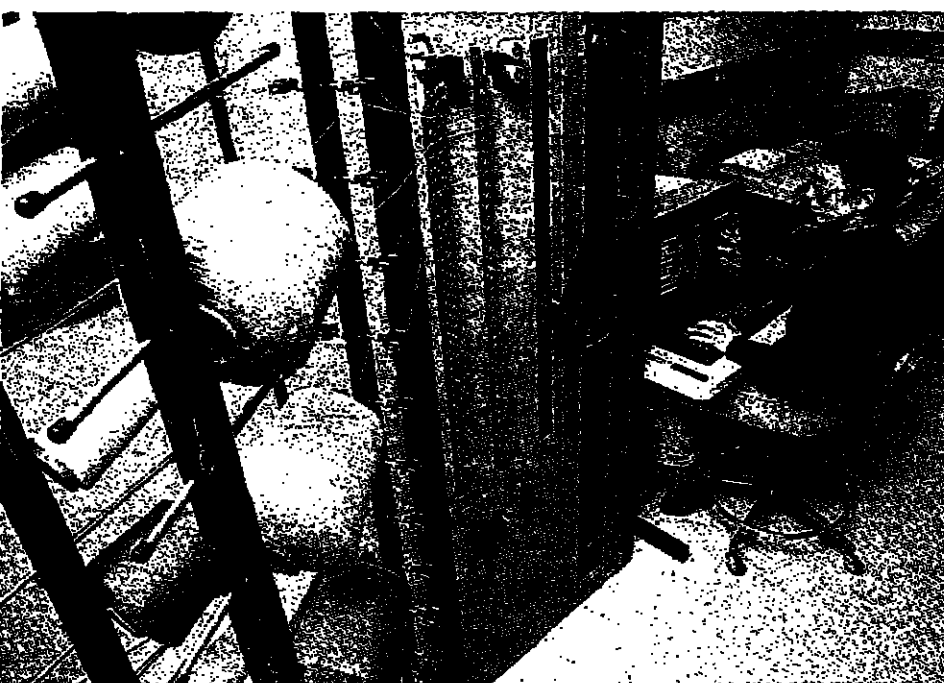
Opinions vary on where the textile industry goes from here. Dr Robert Barnhardt, head of the North Carolina College of Textiles in Raleigh, points out that it depends very much on what part of the process you are talking about. The amount of fibre processed in the US rose by almost half between 1980 and 1994. However, the

value of US-produced apparel halved.

The trouble is that stitching together clothing is inherently labour-intensive - which gives a huge advantage to the low-wage developing countries of Asia. All kinds of efforts have been made to overcome this, such as the development of body scanners to measure the customer precisely for a suit, and of lasers to cut out the cloth.

"The trouble comes," says Dr Barnhardt, "with joining the 60 or 70 pieces of the suit together. The industry has worked for a long time on trying to automate that, but it gets very complicated. You come out with very expensive machines which can automate some simple functions. When you analyse the return on investment, the sums aren't there."

Historically, this has proved particularly damaging to the US industry. Textiles are a politically sensitive product, subject to tariffs and quotas. Asian clothing producers are reluctant to use American cloth, simply because of uncertainty of supply.



The combination of investment and technology leads some to hope that textiles will survive

US textile manufacturers, previously advocates of quotas against foreign apparel, have thus become enthusiastic advocates of the North American Free Trade Agreement. Now that the trade barriers are down with Mexico, the theory is that Mexican workers will supply the US with clothing cut from US cloth.

In any case, say defenders of the textile industry, apparel is only a third of the market. The rest is equally split between home furnishings and industrial textiles - and in both, the US and North Carolina can compete.

Weaving and spinning, Dr Barnhardt says, are modern capital-intensive industries.

The technology is available anywhere; indeed, much of it comes from Germany and Switzerland. America's strength lies in the availability of capital and in cheap energy.

Thus, for example, North Carolina can compete in home furnishings. Fieldcrest Cannon makes a decent living - and more than \$1bn of revenues

- turning out sheets, towels, pillow cases and blankets - all requiring little stitching, and capable of automation.

Conceivably, the state might have another advantage. For a variety of reasons, US consumers are turning increasingly to clothing made wholly of cotton.

Historically, North Carolina was not a cotton state; indeed, when the textile industry moved south from New England after the Civil War, it concentrated in North Carolina precisely because the state had a plentiful supply of industrial rather than agricultural workers.

Now, however, cotton-growing is on the increase. This is partly because of scientific advances in producing cotton strains resistant to the boll weevil. And in Research Triangle Park, biotechnologists are working on genetically-engineered strains of cotton which will grow not white, but green or yellow.

The combination of investment and technology leads some to hope that textiles will survive - in terms of output, if not employment.

Dr John Connaughton, an economist at the University of North Carolina at Charlotte, says: "What's left of textiles in this state is probably as rooted and solid as any industry we have."

THESE FACTS WILL GO RIGHT OVER YOUR HEAD.

About the only thing flying higher than the Carolinas' economy is our airport. Charlotte/Douglas International Airport is growing at a rate considerably above the national average, handling over 20 million passengers and 208 thousand tons of cargo annually. One of the nation's largest airline hubs, it offers over 500 flights a day with non-stop or same-plane service to some 160 cities, including

More Non-Stops for People Who Do Business That Way.

international service to London, Frankfurt, and Paris. Our Region's central location is another frequent flyer bonus - over 54% of the U.S. population lives within 650 miles, soaring over Atlanta (43%) and New York (39%). To find out how your business can take off in the Charlotte Region, call 1-800-554-4373, or write The

CHARLOTTE REGION
America's New Business Horizon

Carolinas Partnership,
Suite 1900, 112 S. Tryon St.,
Charlotte, NC, 28224.

NationsBank: The Preferred Source For Finance and Investment Management.

Whether providing corporations with creative solutions in finance, investment management or retirement services, NationsBank uses the same process. It is a team effort. Our skilled professionals join together to generate solutions that meet the increasingly sophisticated needs of all clients.

- > Working closely with each client to develop a detailed understanding of their strategic direction and objectives
- > Applying a thorough knowledge of financial markets, trends and opportunities
- > Delivering innovative ideas and advice.

This is how NationsBank builds long-term relationships. It is a partnership with clients, based on our ability to deliver a continuous flow of value-added solutions and sound investment strategy.

- > Global investment management expertise and client service through Nations Gartmore Investment Management, and the NationsBank Trust department
- > Corporate finance advice, structuring, origination and distribution through NationsBanc Capital Markets, Inc., NationsBank Global Finance and Pamure Gordon & Co. Limited.***

NationsBank

*Joint venture with Gartmore. Regulated by IMRO and a registered SEC investment advisor. **Member NASD/SIPC. ***Member of the London Stock Exchange and regulated by SFA. ©1995 NationsBank Corporation.

IV NORTH CAROLINA

PROFILE

Research Triangle Park

The hype is mostly justified

North Carolina's Research Triangle Park is the subject of a vast amount of promotional hoopla. It is, we are told, the biggest and most successful research park of its kind in the world. It is the foundation of the state's success in high technology.

It is the main reason why Fortune magazine ranked nearby Raleigh-Durham as the best place to do business in America.

Oddly enough, the hype is mostly true. The park may have had its share of luck over the years. Nevertheless, it remains an unusually successful example of rational industrial planning, aided and abetted by government.

It did not start that way. The original idea came from an imaginative local property developer who attempted in the late 1950s to create a local version of Boston's high-tech Route 128.

The reasoning was sound enough. Massachusetts' success was founded on its universities, such as Harvard and MIT. North Carolina had a trio of more humbly still respectable universities in Raleigh, Durham and Chapel Hill.

Why not set up an industrial park in the midst of them to exploit their resources?

Perhaps unsurprisingly, the idea proved to be ahead of its time. In 1959, the project had to be rescued under the auspices of the local banks, the state government and the universities, and set up as a foundation.

By now, the reasoning went far beyond property speculation. The trio of universities were turning out technical and scientific graduates in large numbers, while local industry consisted chiefly of textiles and furniture.

The result was a steady emigration of graduates from the state. The park was devised to reverse that process.

Some 35 years on, the park is home to a long list of blue chip industrial companies: IBM, Glaxo Wellcome, Northern Telecom, Rhone Poulenc,

Ciba Geigy, Matsushita, Ericsson, DuPont and so forth. It employs 35,000 workers, of whom about 500 have adjunct professorships at the universities.

At the same time, about 3,500 of the universities' teaching staff have consulting links with the companies.

The link between the park and the universities has proved a virtuous circle. Mr Jim Roberson, head of the Research Triangle Foundation, says: "When the park started, the universities were much smaller. They were good schools, but the park has enabled them to attract better faculty and good students."

At the same time, the state has made heavy investments in scientific research and

research for Ciba-Geigy and research in agricultural biotechnology for Rhone-Poulenc and BASF (true to North Carolina's origins, its biotechnology has a distinct agricultural bias). Glaxo Wellcome, the world's biggest drug company, has its US headquarters and the whole of its US research effort within the park. It also uses MCNC as its world centre for supercomputing.

Glaxo Wellcome, as it happens, presents a slightly delicate issue. Since Glaxo acquired Wellcome earlier this year, it has faced the problem of what to do with an imposing but duplicate set of headquarters and research facilities, only a mile or so apart. The question of manufacturing plants elsewhere in

folks off, they'll stay in the area and start new businesses."

Dr Hammer is a good example of the blend of science and commerce which the park aims to represent. Some 18 months ago, he made strenuous efforts to attract a new manufacturing plant being set up by Genzyme, the biotechnology company based in Cambridge, Massachusetts. As Genzyme itself concedes, it was only persuaded to stay where it was by a last-minute intervention by Governor Weld of Massachusetts.

"We're going to get Genzyme one day," Dr Hammer says. Meanwhile, he has succeeded in persuading another Cambridge-based biotechnology company, Biogen, to shift its manufacturing to the park. Other successes include luring the US headquarters of Novo-Nordisk, the Danish insulin producer, from Connecticut.

If you attract a \$100m plant such as Biogen's, he says, that creates 300-400 jobs. An HQ such as Novo's will only bring 200. "But in biotechnology, every time you get a new product you build a new plant. My strategy is to get them to build four or five plants, and that's easier if you've got the headquarters."

In Europe, he says, "we constantly visit Schering, Bayer, Roche and Sandoz. We don't miss many. Sandoz has bought 250 acres in Raleigh, and we don't think they'll leave it idle."

North Carolina, he concedes, still ranks third among US states in biotechnology - a long way behind California, a fair way behind Massachusetts and only slightly ahead of New Jersey and Maryland.

"But we're Johnny-come-lately. We'll challenge Massachusetts in the next five years for the number one position on the east coast. And bear in mind that while the average factory job in North Carolina pays \$12,000-\$15,000, the average biotechnology job pays \$20,000-\$22,000."

Tony Jackson



Glaxo laboratories: one of a long list of blue chip industrial companies

development - specifically, in the micro-electronic and computing venture NCMC, and in the North Carolina Biotechnology Centre.

The list of activities in the park is correspondingly wide. In communications, for example - still the park's biggest area of activity - Northern Telecom of Canada researches, designs and manufactures telephone switchgear.

Ericsson of Sweden has its world centre for research on mobile communications. IBM develops and manufactures personal computers.

In biotechnology, the park is home to plant molecular

the state has been addressed (Wellcome's will largely be axed), but the larger question of headquarters and research and development seems unresolved.

However, research staff who lose their jobs could prove luckier than most. Dr Charles Hammer, president of the Biotechnology Centre, says the biotechnology industry in North Carolina is creating 2,000 jobs a year at present, but filling only 1,000 of them from local universities. And as Alan Blatecky of MCNC remarks, the park is beginning to produce its share of venture capital start-ups. "If Glaxo Wellcome lays

■ Politics: The 1996 elections will be a test for the Democratic party, reports Nancy Dunne

A question of alignment

Last year the Democrats lost control of the state house and retained only a slim hold on the state Senate



The State Capitol Building in Raleigh: North Carolina was once a member in good standing of the 'Solid South'

Raleigh, (the state capital), suburbs and small towns and two leading universities.

"Dave Price is the test case of whether the Democratic party can be successful in North Carolina," said Mr Chip Roth, a spokesman for the local Teamsters union. The union, determined to help Democrats recapture control of Congress, is prepared to pour resources into Mr Price's campaign and hopes to enroll the district's 770 Teamsters in the cause.

With a presidential election and the governor and senator both running for re-election, Mr Price expects a high turnout and less of the kind of straight ticket protest voting that produced the Republican victory.

"I'm not saying the Republican tide has played out. I don't think it has," said Mr Price. "But the far right is not going to be the only one that's mobilised next year."

Even when the state was dominated by Democrats, its politics were never predictable. It has a streak of populism among the more impoverished mountain communities as well as conservative Democrats and right-wing Republicans.

Mr Jim Hunt, the current governor, serving his third term and the likely winner again next year, is a moderate

who made his priorities education, economic development and crime control. The state is famous for its fine universities, but it is ranked among the lowest 15 states for per capita spending on its primary and secondary schools.

The new state house Republicans also promised to reform the education system. This meant slashing the education budget, giving local school boards more authority, and introducing a gun safety programme and "character education" (emphasising sexual abstinence).

Mr Ron Coble, executive director of the state's Centre for Public Policy Research, says that throughout its history, the state has always been willing to send colourful characters and demagogues to Washington and keep its moderates at home in the governor's office.

In keeping with that tradition, the current senators are Jesse Helms, whose reign as chairman of the Senate Foreign Relations Committee is playing havoc with President Bill Clinton's foreign policy, and Lauch Faircloth, another unrelenting Clinton critic.

Senator Helms will run for a fifth six-year term next year. He will be 75 but the age factor can be meaningless considering that South Carolina last

year re-elected for a sixth term an enfeebled Senator Strom Thurmond at the age of 82.

Republicans and Democrats talk with awe of Senator Helms' political and fund-raising acumen - and his willingness to pour millions of dollars into negative television advertising. For two decades he has entertained the home folks with tirades against communism, liberalism, big government, abortion and homosexuality. His next campaign can be expected to feature the three Cs, said Mr Roth: Guns, God and against Gays.

Two Democrats will compete in the state's primary next May for the opportunity to face the senator. Mr Harvey Cantel, a black former mayor of Charlotte, lost to Senator Helms in 1990.

Mr Charlie Sanders, former chief executive officer of Glaxo, the pharmaceutical company, is a political novice, but he is given a better chance of unseating Senator Helms because he cannot be accused of being black, a communist, a liberal or too favourable to homosexuals.

Mr Sanders, a doctor, says he can address authoritatively the issue that concerns that state's growing number of pensioners - Medicare, the US programme for the elderly.

YES, WE HAVE UNMATCHED WORKER PRODUCTIVITY
AND AMERICA'S LOWEST CONSTRUCTION COSTS.
BUT LET'S DISCUSS WHAT YOU REALLY CARE ABOUT: GOLF.

N O R T H C A R O L I N A

We have over 450 golf courses. Ross, Fazio, Maples, and Nicklaus have all designed masterpieces here. Private memberships are readily available.

919-733-3333 • FAX 919-733-9265 • E-Mail info@mail.commerce.state.nc.us • INTERNET <http://www.commerce.state.nc.us/>

State of North Carolina European Office • 49-211-320-533 • FAX 49-211-132-954